HOUSING FINANCE IN URBAN NIGERIA: A CASE STUDY OF ENUGU.

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DEDICATION

To my late parents, Ada and Joshua, who were my first teachers, and Adaeze, Chiamaka, Joshua, Ruth and Mabel who encouraged and inspired me to go on.

Finally to the Almighty God, JEHOVA EL SHADDI, who delights in doing the impossible. To Him be the glory for ever and ever. Amen.

DECLARATION

This thesis has been composed and written by me, based on an extensive review of published materials which have been gratefully acknowledged and on analysis of data collected in the field during the course of study.

SIGNATURE ----------------

ABSTRACT

The provision of housing generally requires finance which is scarce and this often results in housing finance managers having to decide who receives what funds are available and where. A critical review of the existing literature on housing finance in Nigeria by the author suggested that housing finance institutions were deficient in number of institutions, size of loans granted and quality of services provided.

Consequently, the research aimed at assessing the level of accessibility of the existing institutions to both landlords and tenants. A particular attempt was also made to identify practical difficulties encountered by small savers in having access to mortgages. In addition, the research examined the responses of such groups to the obstacles encountered and in particular, their use of unconventional means of finance based on informal credit unions such as isusu.

The analysis was mainly based on the use of two social surveys made up of structured interview schedules with 477 landlords, 494 tenants and 50 members of daily small saver schemes. Unstructured interviews were also used to obtain information from managers of housing finance institutions and policy makers, and the author sat in as a non participant observer during isusu meetings.

The research finds that the banks discriminate against low income households by denying them access to housing finance and by demanding tough loan requirements. One result is to favour the production of bungalows and to a lesser extent tenement blocks of flats. In addition, the research shows that informal credit unions and other small saver schemes make significant contributions to housing finance as many landlords use them in tandem with conventional methods to finance the construction of their houses through self-build. Moreover, the data shows that small savers are ready and willing to save, if the method of savings mobilization is simple and they are assured in return, of access to a large sum. The thesis concludes that in order to make housing finance available to many urbanites, a savings mobilization scheme which allows small saver groups to be linked to conventional institutions should be adopted.

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GLOSSARY

Age-grade or group:

This refers to a group of people born within a period of one or two years interval in a specific geographical area in Igboland. Grading is not uniform but varies from one community to another.

Indexation or monetary correction:

This is presented as a current agreement to tie the future value of a financial commitment to the changing value of some price or index. On the other hand it could be described as a means of reckoning in terms of constant purchasing power which strives to preserve real value (Cardis, 1983).

Naira:

The Naira is the standard unit of currency in Nigeria. The value of the Naira has varied over the years. For example, the following table shows the fluctuation of the naira between 1975 and 1987.

YEAR	NAIRA (₦)	DOLLAR $ (equivalent)
1975	1.00	1.6248
1980	1.00	1.8297
1985	1.00	1.1206
1987	1.00	0.2496

Source: International Financial Statistics Year book 1988.

Self-build method:

Self-build describes the method where the owner is responsible for the supply and ownership of the plot and the construction of their house.

Tenement rooming house:

This is a one storey multi-family house where the tenants hire one or more rooms and share cooking and washing facilities. A typical plan is given in Figure 8.2.

Tenement block of flats:

This is a building with two or more walk-up storeys, partitioned in self-contained apartments or flats.

Rotatory credit union or association:

This is an association formed upon a core of participants who agree to pool their resources (Cash or non-cash) together for their common benefit. A popular example of a credit union in Igboland is isusu.

Structural adjustment programme:

This is a series of economic measures taken by the Nigerian government in order to meet the requirements set by the International Monetary fund (IMF) for loans.

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Chapter 1
Introduction

1.1. Introduction

Among the needs of human beings, housing is next to food in importance. According to Grimes (1976) housing expenditure in developing countries often forms the largest component of household budgets, consuming from 15% to 20% of the total income of people in the high income groups whereas for people in the low income bracket, it varies from 5% to 40% of their total income. Housing is also a basic need of people that influences their life style and health, happiness as well as productivity (U. N. O. 1976) and is increasingly seen as being more than just shelter. It is a total package encompassing the provision of essential social facilities (U.N.O. 1976). According to Abram (1966) housing is not only shelter, but it is part of the fabric of neighbourhood life and social milieu. To Bourne (1981) housing is a compound of many things: a physical entity, a social artifact, an economic good, a capital stock, a social symbol and at times a political "hot potato". Housing as an asset has a long life, a high cost and combines with visibility to make one of the most significant ways in which economic growth becomes tangible to people. It is therefore an important factor in social development (Jorgesen, 1975). To many people the house where they live or have lived is an important part of their identity as individuals and of their links to a community, friends and neighbours or, sometimes, of their membership of an ethnic, religious or cultural group; its physical form and architectural character may even reflect some of these links. A somewhat different view is that of Corbusier (1933) who thought a house can or should be 'a machine for living'.

Housing presents a number of economic issues and problems. The housing sector of any country plays an important part in its economic development (Grimes, 1976). As Renaud

(1984) has pointed out, housing investments in developing countries, contribute between 15% and 25% to the annual gross domestic capital formation. Conversely, the provision of housing involves huge costs, usually with people having to borrow either to buy or build their own house. Yet, not all potential borrowers have enjoyed equal access to loans from the finance institutions (Harvey, 1987; Hallett, 1979; and Saunders, 1979). Housing finance institutions do not grant mortgages to all types of property, people, and areas of the urban centre (Harvey, 1977; Bourne, 1981; Balchin, 1987; Balchin et. al. 1985). Thus these policies limit accessibility to housing finance, thereby creating problems for potential borrowers. In most developing countries there are a few people who can afford the large sum of money required to build or buy their own houses but the vast majority who cannot afford this large sum resort to loans from financial institutions or to unconventional methods of housing finance.

Finance, without doubt, is central in the provision of housing. For instance, finance is important in the purchase of urban land, construction materials and labour for housing development. However, the method of housing finance varies among different nations of the world due to differences in socio-economic and political systems (Stressmann, 1976). For example, in some countries, housing finance is provided by the banks, while in others it is by specialist institutions, separate from the banking system (Boleat, 1982). In some, the government provides housing finance through the ministries of housing, while in others it is through the Ministry of Finance (Renaud, 1984). This study therefore examines the different sources and processes by which finance is obtained for housing purchase or construction. It assesses housing finance systems in developed countries and the growth and development of housing finance institutions in developing countries. In particular, it critically examines the growth and development of housing finance in Nigeria, with Enugu as a case study, in order to determine the causes of its apparently poor performance.

1.1.1. Definition of the problem and aims of the study

Finance, like other resources, is scarce and housing finance in particular is sometimes regarded as a residual that is left over after basic government and corporate needs have been met (Harvey, 1977). In Nigeria, housing finance is mainly provided by the government through the Federal Mortgage Bank of Nigeria and by the commercial banks. Presently, Nigeria is burdened by external debts estimated at twenty five billion naira. This situation has made it almost impossible for the government to make significant funds available for housing finance. Furthermore, the commercial banks in Nigeria have long regarded housing finance as risky business resulting in a lack of mortgages from them. The problem of lack of housing finance is further compounded by the absence of secondary mortgage institutions and of an organized effort at internal mobilization of private savings for the housing sector. Moreover, since the existing housing finance is not accessible to borrowers from all income groups, many people resort to different methods in order to finance their houses.

Recent studies have shown that small saver credit schemes contribute greatly in the advancement of general economic development and agriculture in particular. For example, Haggeblade (1978) in Cameroon, Oludium (1982, 1983) in Nigeria and Von Pischke (1978), Mbaru (1977) and Von Pischke and Rouse (1983) in Kenya have examined the contributions of small saver schemes to agricultural development. Furthermore, Nwachukwu (1983) highlighted the contributions of ethnic unions in the general urban development of Eastern Nigeria. The study of ethnic unions or associations in particular has featured greatly in African urban studies, for example, in the works of scholars like Plotnicov (1967), Kuper and Smith (1969), Paden (1971,1980), Wolpe (1974), Schildkurout (1978), Peil (1979), and O'Connor (1983). The studies of Cohen (1974, 1981), Banton (1965), Parken (1969), Meillassaux (1968) and Southall (1975) especially have provided detailed analysis of these ethnic unions and how they have helped new migrants to cope with urban life.

These ethnic unions do more than that as Gugler (1975), Smock (1971) and Morril (1963) revealed while examining their contributions in handling the deaths and burials of members or in helping new migrants find jobs. Although these studies emphasized the ethnic nature of the associations, there are some which cut across ethnic groups (Little, 1978). However, none of these studies considered the contributions of either the ethnic unions or small saver schemes to housing finance.

Previous studies on housing in Nigeria have dealt with such areas as policy (Ekwueme, 1978), sites and services (Nwachukwu, 1986) and materials (Wahab, 1976) to the neglect of housing finance. Since the country is faced with a shortage of funds for housing finance, there is a clear need to explore other sources of finance, and the appropriate method of mobilizing finance, so as to make it available to borrowers from all income groups. Thus the main concern of this thesis is with the various ways housing finance is provided in Eastern Nigeria, with how people obtain access to them, how they are used and with some of the effects this has on the supply of urban housing.

Accordingly, the more specific aims of this study are to:

1. review the performance of the existing housing finance system and institutions in Nigeria;
2. examine the practical difficulties encountered especially by small savers in obtaining mortgages from conventional finance institutions;
3. identify unconventional institutions such as ethnic unions or community based organisations engaged in housing finance in Enugu and examine their roles;
4. assess the saving capabilities of the low income groups;
5. from this examine the possibility of establishing a viable and functional housing finance system which will be accessible to borrowers from all income groups (within the context of town and country planning in Nigeria).

1.2. Nature of the research and the effect of lack of theory and previous empirical work.

It is vital to emphasize at the outset that there has been remarkably little attention paid in the literature to how people finance their housing in developing countries. Possibly as a result of this, there are no theoretical frameworks available and almost no general concepts have developed which could be used to help in identifying significant processes or relationships for empirical investigation or testing. Lacking theory, the present research has had to be dominantly empirical in character.

However, a further difficulty for the research is that there have been very few empirical studies of housing finance in any of the developing countries, let alone in Africa and very few of how unconventional methods of finance are used or how they operate. As a result, there are almost no case studies which could be used for comparison or could be used to provide a basis for further empirical work. A further problem is that the actual methods or institutions used in unconventional finance, at least in Nigeria, are not all yet known or identified. An essential task for research on the topic is therefore to identify all the methods being used in a particular area. For this reason, part of the work has an exploratory and descriptive character. This problem was reinforced by experience in the field when two methods of unconventional housing finance, which the author had not previously heard of and which were not mentioned in the literature, were 'discovered' some time after the main social surveys of housing finance had been designed and were well under way. Identifying these two methods, how they operated and how they were being used is thus seen as an important contribution of this study.

Given the lack of theory and empirical work on developing countries, it may be worthwhile examining and discussing the literature on housing finance in developed countries and on conventional institutions in developing countries to see what concepts or relationships this literature furnishes which might have some potential value in studying unconventional methods in Nigeria. These are the main concerns of Chapters Two and Three. While this thesis is mainly concerned with helping to fill the gap in empirical knowledge of housing finance in Nigeria, an attempt is also made to develop a conceptual framework and a simple model outlining the roles of conventional and unconventional methods of finance in the city of Enugu, the case study area. Some consideration is also given to the ideas of John Turner which have been so influential regarding housing construction and supply in developing countries, to those of his main critic, Rod Burgess, and to what light the empirical results shed on their debate.

1.3. Methods of research

The methods employed in this study initially involved library research and critical review of relevant literature on housing, with particular emphasis on housing finance systems and institutions in developed and developing countries. These provided the study with a limited number of theoretical concepts discussed in Chapters Two and Three. The study also reviewed the existing relevant literature on ethnic unions and their economic significance especially in developing countries; this will be discussed in Chapter Five.

The actual operation of conventional and unconventional methods of housing finance was investigated in the field using the town of Enugu in Eastern Nigeria as a case study. This involved two extensive social surveys, one of landlords and owner-occupiers and one of tenants, to ascertain how both groups financed their housing and what problems and difficulties they encountered in doing so. The data collected was analysed mainly by means of simple statistical methods such as frequency counts, contingency tables and chi-square tests of significance to help explore and describe the main results and test some of the hypotheses developed from the conceptual model (Chapters Eight and Nine).

1.4. Structure of the thesis

It may be helpful at this point to outline the structure of the thesis. Chapter Two critically reviews the theory of housing finance which has evolved in developed countries. It examines the different types of housing finance systems and institutions and conflicts which arise when urban residents have unequal access to housing finance.

Chapter Three presents an outline of the growth and development of housing finance institutions in selected developing countries. It shows that housing finance institutions are clearly much more developed in Latin American, and South East Asian countries while those in Africa are lagging behind.

Chapter Four reviews the development of housing finance in Nigeria by tracing the history of public finance and expenditure on public housing programmes. It also presents a review of the contributions of conventional housing finance institutions.

Chapter Five describes the operation and spread of unconventional finance institutions in developing countries. It shows that the basic principle of group contribution and rotation of funds is often much the same. It also tries to give some picture of the diversity of such organisations in Enugu.

Chapter Six discusses some general theoretical issues with particular reference to the Turner/Burgess debate in housing provision and outlines a conceptual framework for analysing housing finance in Enugu. It describes the basic strategy an individual may follow in obtaining a mortgage and how managers of financial institutions may decide to whom to give loans and to whom not to. It also outlines a model of the roles of conventional and unconventional methods in Enugu.

Chapter Seven is a brief introduction to the case study area and its importance as a regional growth centre. In addition, it examines the residential urban housing supply, highlighting the effects of the absence of an effective and viable housing finance system.

Chapter Eight outlines the fieldwork methodology, presents analysis of data and discusses the findings, especially as they relate to conventional housing finance institutions.

Chapter Nine presents the results of the surveys as regards access to unconventional finance. It also describes in detail case studies of ethnic unions or associations and small saver schemes and their contributions to housing finance in Enugu. It considers what light the debate between Turner and Burgess shed on these results and what implications the results may have for the views of Turner and Burgess as they might relate to housing finance.

Chapter Ten presents the conclusions drawn from the study, recommends ways of improving the mobilization of household savings for housing finance and discusses the importance of establishing secondary mortgage institutions in the country.

Chapter 2
Housing finance in developed countries

2.1. Introduction

The chief aim of housing finance is to provide funds that prospective home owners (buyers and self builders) will require to purchase or build their homes (Renaud, 1984; Boleat, 1985). To achieve this the transfer of funds is required from surplus sources to borrowers through housing finance systems and institutions. Renaud (1984) defined housing finance institutions as intermediaries between the housing market and the capital market, hence housing finance mechanisms directly or indirectly bring households together either as savers or borrowers for their mutual benefit. Due to increasing demand for housing and consequently housing finance, conflicts arise regarding accessibility by some potential borrowers (Bourne, 1981). Such conflicts are not only the direct result of scarcity of funds but also of the decision of the housing finance institutions on who receives what and where.

Comparative studies, however have shown that housing finance systems and institutions differ from one country to the other, mainly due to the differences in the development of each country's capital market (Boleat, 1985). Hence different countries adopt different systems in order to make finance available to borrowers. This chapter therefore examines the different sources of finance, institutions involved in the transfer, and the conflicts which arise due to consumer's unequal access to finance and the implications for developing countries.

2.2. Sources of Funds for Housing Finance

Although housing is sensitive to changes in the financial system, the provision of credit is the corner stone of most national housing policies (Bourne, 1981). In Britain, for example, housing finance and policies have relied heavily on two great engines of housing finance, namely the building societies and the local housing authorities (Donnison, 1982). Sources of finance vary from one country to another, and this clearly reflects the institutional structures and historic conditions through which housing finance policies have evolved. For example, in the United States of America, the Savings and Loans Association and the private banks are the dominant sources for residential mortgages, although other credit agencies, credit unions and some state governments are increasing their role in this area. On the other hand, in the United Kingdom, the building societies are dominant, with the banks increasing their influence while the local authorities provide a supporting role. In contrast, the Canadian sources of finance are much more diverse, though largely dominated by private sources like specialized loans and trust companies, with the government acting as the lender of the last resort. Again in Sweden, the situation is quite different as a large proportion of mortgages are provided through national agencies such as the National Housing Board and the Mortgage Bank.

Despite the differences, housing consumption is financed mostly by a combination of two types of capital. Firstly there are the internal sources of funding derived mainly from the savings of individuals or groups of investors represented by down payments for housing purchase. Secondly there are the external sources of funds mainly from the finance institutions.

2.2.1. Personal savings

Personal savings constitute the major source of finance for internal funding and are drawn from surplus sources through a savings scheme. Although a pattern of saving and borrowing of households in developed countries over their life cycle shows that young persons between the ages of 20 and 30 years are often net borrowers (Boleat, 1985; 1987a) because they borrow bulk sums of money after paying the initial down payment expected of home buyers from their savings, there are others in the same age group who cannot borrow for reasons such as the nature and type of their employment and income.

The situation changes as they mature, and with increased income they are able to pay off most of their debts. Subsequently, as they retire they accumulate surplus funds from pensions and maturing insurance policy savings and therefore become important sources of housing finance. Boleat (1985) assumed an average household in developed countries to be a modest lender (saver) until a house is purchased, then a substantial net borrower until the debt is repaid, after which substantial savings are undertaken. While drawing examples from both the United States of America and United Kingdom, Boleat (1982, 1985) argued that a greater percentage of surplus funds are held by the elderly who are 55 years and above. Using the 1982 statistics of savers survey, by the United States of America League of Savings Institution, he explained that less than 7% of savings balances were held by people below 35 years of age who are potential home buyers, while half the savings are held by people 65 years and over and three quarter by those aged over 55 years. He presented a similar picture by using the 1982 family expenditure survey for the United Kingdom which showed that 51% of all investment income was received by people over 65 years old and 25% by others whose ages ranged between 50 and 65 years. These examples on the whole, support the view that it is the elderly who hold the bulk of savings in developed countries, but it must be remembered that the very poor and those unable to save or who depend entirely on social security have a very different experience and situation.

Although this shows that it is the elderly who hold the bulk of savings, it is rather too general and may require more statistics from other developed countries to establish a firmer basis of assumption. Moreover, the same pattern may not appear in developing countries because most of the elderly in contrast depend on their youthful offspring for support in old age. Besides, the typical household Boleat presented does not take cognisance of people in the renting sector who may never be able to purchase a house of their own. Moreover, not every household has an equal opportunity to borrow from financial institutions. There are households that are constrained by factors such as income, employment, race and other conditions which are also associated with eligibility for mortgages.

It is an accepted fact that the savings of potential home buyers are rarely sufficient to pay for the cost of the house (Melton, 1978). Moreover, as house purchase represents a very large capital outlay for the consumer which can rarely be financed out of income, borrowing is therefore necessary and the availability of long term credit is of critical importance in making the demand for owner occupation effective. Hence an efficient and viable house finance system should be able to draw funds from the elderly with substantial savings (in developed countries), and deliver them to the young who are potential net borrowers. However, as Boleat (1985) pointed out, the percentage of the total cost which home buyers put in as down payment, thereby relying less on the savings of others, depends entirely on the housing system in a country.

Boleat (1985) further explained that in countries like the United States of America, where there is a large rental market sector, which is able to accommodate young people for a considerable number of years, there is a high percentage of people who are 25 years and over still living in rented apartments. This gives them the opportunity to save up a bigger proportion of their mortgage loans and so borrow less. Conversely where there is little or no rental sector for example in the United Kingdom, where most people aspire early to buy their houses, they are likely to borrow a bigger proportion of their mortgage loan. In either case, there are nevertheless, the homeless or those who will still remain in the renting market either out of choice or due to discrimination and therefore will not borrow. These people are not provided for by any of the preceding sources of finance.

2.2.2. Institutional funding

There are two major types of housing finance institutions, namely secondary and primary mortgage institutions. Secondary mortgage institutions are those financial institutions that raise their funds from the capital market by selling bonds and by borrowing from other financial institutions with long term maturing funds such as insurance companies and pension funds. The funds they raise are lent to primary institutions and to construction companies that build houses for sale to the public. Primary mortgage institutions are those institutions that deal directly with individual borrowers and savers. They raise their funds partly by borrowing from secondary institutions and by attracting savers/ depositors.

These two types of institutions provide the external sources of finance which are obtained as credit through mortgages. The external source is necessary because for most people a house can only be purchased by borrowing for a comparatively long period from house finance institutions. For example, in the United Kingdom, housing finance from external sources has become such a lucrative business that it is not only the United Kingdom banks who have come to such a realization, but even foreign banks like America's Citibank, Merchant banks, and the new National Home Loans Corporation. On the other hand, insurance companies have dropped out while the local authorities who once acted as lenders of the last resort on low priced older houses have declined (Balchin, 1981). The increase in the number of institutional sources of funding enhances housing finance since it provides the borrower with alternatives.

Besides, the advantage of having several institutions is that the competition among them favours the borrower. As such they are much more careful about fixing interest rates above the bank base rate and other terms of borrowing knowing that the borrower or savers have a choice. For example the entrance of the banks into mortgage financing has made the building societies, in United Kingdom, relax some of their rigid financial requirements for granting mortgages.

Moreover, the major consequence of institutional funding is that it increased home ownership through owner occupation. In the United Kingdom, for example, owner occupation has grown from 29% in 1953 to over 60% in 1986 (Balchin, 1987). Although part of this growth is due to the cut back in public sector housing expenditure, it is influenced by the governments' fiscal policy which has increased the competitiveness of owner occupation relative to renting in the private sector. For example while the owner occupier tends to ignore amortisation of the capital, a landlord has to cover amortisation from taxed income (Harvey, 1987). In contrast, the owner occupier enjoys tax concessions.

For example, interest charged on mortgages of up to 30,000 pounds is exempt from tax, whereas rent has to be paid by tenants out of taxed income (Harvey, 1987). Since the main residence of an owner occupier is exempt from capital gains tax, he or she enjoys a 100% equity interest for a relatively small deposit as opposed to the tenants whose rent increases with inflation (Balchin et.al., 1985; Harvey, 1987). Institutional funding also brought about a decrease in the renting sector as an alternative form of tenure and the awareness that owner occupation offers almost complete security and a sense of independence.

In spite of this apparent advantage, Pawley (1983) and Balchin, et.al. (1985) argued that institutional mortgage lending is insufficient in relative terms, and that it attracts away funds from the manufacturing industry into the home loans market. In particular, Balchin et.al., (1985) stressed that a comparison of both sectors showed an increase in housing and a decline in the manufacturing industry. There is however, no substantial evidence to show that savers are more likely to invest in the manufacturing industry than in housing finance. Moreover, housing finance institutions have accommodated both big and small savers, which the manufacturing industries may not be able to do.

On the other hand, the growth in mortgage financing has brought about increases in demand for home ownership and consequently an increase in house prices. It is to this effect that Balchin et.al. (1985) argued that a diversion of a certain proportion of the funds away from house funding to industry will not only stabilize or decrease house prizes and land values, but will facilitate economic recovery. This argument does not take cognisance of small savers who may be unwilling to save if their savings are channelled away from housing. Moreover, this can only apply in countries with developed economies, large stocks of urban housing and a properly organized state of housing finance, and this is not true of most developing countries like Nigeria. Besides, house building can still be used to stimulate a country's economy and to generate growth since the house building industry generates employment in both construction and building materials industry.

However, housing finance institutions play an important part in the efficient transfer of funds from surplus sources to borrowers, especially in developed countries, no matter the source. Furthermore, since personal savings are rarely sufficient to provide all the funds required for home ownership, housing finance institutions have a key role to play in making funds available to potential borrowers. Institutional funding is therefore important in bringing savers and borrowers together and this is best done through a functional and efficient housing finance system.

2.3. Housing finance systems

Funds for housing purchase are attracted directly from people with surplus through a housing finance system, and any such system should be able to lend to borrowers on a long term basis (Huyck, 1987). Although there are a limited number of ways this can be done, the main categories are the direct, contractual, deposit taking, and mortgage bank routes (Boleat, 1985; Renaud, 1987). These and the associated institutions shown in Figure 2.1 below, are now examined here.

Figure 2.1:

Summary of housing finance systems and institutions.

SYSTEMS	INSTITUTIONS	EXAMPLES	REMARKS
Direct	None	Developed and developing countries.	Poorly documented
Contractual	Specialist institutions	W.Germany, Austria, France	savings at below interest rates entitles a saver to a house purchase loan.
Deposit	Savings banks Building societies Commercial banks Savings and loans association	France, Italy, Switzerland, Canada, U.K., U.S.A., New Zealand,	loans are raised on short term basis.
Mortgage	Mortgage banks	Denmark, W.Germany,	Funds are raised by selling bonds. Not many branch networks.

Sources:
Collated from Boleat 1982,1985,1987;Renaud,1984,1987;
Revell,1974.

2.3.1. The direct route system

The direct system is mostly used in an economy where there is no well developed financial system which house buyers or builders can draw from. Borrowers therefore obtain such funds directly from individuals such as parents, friends and relatives who have a surplus (Huyck, 1987). Even in developed countries, parents have helped their children purchase their first house, by providing a very substantial part of the down payment. Boleat (1985) has argued that the direct route method is an ineffective form of financial intermediation since it is not likely that requirements of the borrower will match exactly those of the lender. This is not a serious default since none of the other systems exactly matches the requirements of borrowers without adjustments. Moreover, even where there is a financial mechanism for borrowing, it is not uncommon to find borrowers meeting some of their housing finance requirements outside the system. Although, the direct route is further regarded as an ineffective system because it is easily exploited by money lenders especially in certain developing countries with weak legislation against their practice, it cannot entirely be dismissed because unlike the other systems, it is devoid of official red-tape. Moreover, it has been instant in most cases and has been in use longer than any other system to date.

Furthermore, in developed economies, the direct route is still being used by those who are not able to use the established financial mechanisms. For example, house vendors still use this system, not by lending money directly, but by not insisting on immediate full payment from buyers. Some even defer part or all the purchase price for some years. Boleat (1987c) argued that by agreeing to defer payment the house vendor is making a loan to the purchaser, in which case the value of the house is regarded as a loan. However, this financing technique, also known as "creative financing" has been used extensively in both the United States of America and Sweden, when the traditional housing finance system was breaking down. Since the house vendors obtain their funding from the capital market, they are able to lend long term. It is therefore effective in the sense that it enhances home ownership.

Due to the nature of transactions involved, mostly personal, there are hardly any statistics available or formal institutions involved. Hence not much is known about the system. However, as Boleat (1987c) observed, it is extensively in use in countries with less developed economies like Nigeria and even in developed countries when established institutions red line some urban classes, areas or house types.

2.3.2. The contractual route system

The contractual system is another system of housing finance, whose main apparatus is that regular savings are made over a period of years, on which interest below the market level is paid and which entitles an investor to borrow at below market level (Christian, 1980). For example, in the German system, interest rates on both the savings and the loan are usually kept low and remain unchanged during the contract period, although there are minor charges payable since the loan period is between 15 and 20 years (Sweet et.al.,1976; Jorgesen, 1975).

It is, however, a system that is fairly efficient in countries with a large rented sector that caters for young people until they can afford to buy a house and settle down firmly (Boleat, 1985). However, since it is a system which supplies a substantial part but not all of the funds required by house purchasers, it has to operate in conjunction with other systems. For instance, in both West Germany and Austria it is operated by a specialist Bausparkassen, and in France the scheme can be operated by any financial institution with government approval. They are therefore controlled by other financial institutions. Although the contractual system works well in France, West Germany and Austria, it may not be suitable in the United Kingdom because of the small rented sector and the fact that house owners aspire early to purchase their first homes. Moreover, building societies in the United Kingdom are well developed, long-established and have met the financial needs of many house buyers.

The contractual system, however, is similar to a co-operative, in that it undertakes to contract with a saver to make periodic payments into a saving account, generally about 4% of the target amount per month over a period of about 16 months (Jorgesen, 1975), but differs because it does not involve house construction. In direct contrast, in developing countries like Brazil, Mexico and The Philippines, it is used with a slight variation in that social security funds are used to provide housing loans. In this case, participants are allowed to borrow their contributions or such funds are used to lend directly to contributors. Significantly, the contractual system is flexible, and can be adopted in different types of economy. Moreover, it is suitable to small savers and the self-employed who are often left out by other systems, especially as it offers them the opportunity to prove their potential rather than outright denial of access to funds because of their income and type of employment.

2.3.3. Deposit taking route system

In contrast to the contractual system, the deposit taking system is a common system of housing finance whereby various institutions such as commercial banks and specialist house financing organizations like building societies and savings and loans associations use a proportion of deposits to make individual house purchase loans (Simpson, 1976). Hence, deposit taking is the primary duty after which the institution concerned decides on what use to put them, (Boleat, 1987c). Consequently, house purchase loans are considered, along with other types of loans, but are less favoured except by specialist housing finance institutions and lately the banks in the United Kingdom.

However, since deposit taking institutions borrow short from individual depositors and lend long, and do not generally have long term fixed rate funds with which they can make maturing long term fixed-rate loans, they use variable interest rates to ensure that there is a balance between deposits and loans (Elliot, 1968). Although this system is used in both developed and developing countries it is more effective and functional in developed countries, with more stable economies, than in the developing ones.

2.3.4. Mortgage bank route system

The mortgage bank route is the system through which an institution, usually a housing financing institution, makes loans available to home buyers or builders at fixed rates of interest by selling bonds on the capital market at the market rate (Boleat, 1982; 1985). Unlike the deposit taking system, which borrows short, the mortgage bank system is able to lend long because it raises its funds from the capital market with long term maturities (Renaud, 1987; Boleat, 1985). Most of their assets are in mortgage loans in contrast to commercial banks that are much more involved in other loans than in housing.

This system is assumed to be most functional and effective where there is a developed and active bond market, which is open to the participation of private sector institutions, unlike the deposit system, which does not require a bond market per se, to function. However, this is not true in the United Kingdom, with a well developed capital market. Due to government domination of the bond market with the special tax rules applying to government securities and the existence of other cheaper sources of funds, it has not been possible for the institution to fund house purchase loans through the sale of bonds.

In addition, while bonds issued by mortgage banks are mostly purchased by financial intermediaries like insurance companies, pension funds, banks and private investors, in some countries like Sweden it is mandatory for financial institutions to purchase certain quantities of mortgage bonds. Nevertheless, a slight variation of this exists in the United States of America where a mortgage bank not only makes and services loans but sells the same to institutional investors. Such loans are however guaranteed by the government. This could be regarded as a mere variation of the mortgage bank route except that the bank itself becomes a servicing organization selling loans to investors rather than raising funds from them (Boleat, 1982,1985). Though sophisticated, the mortgage bank system is an improvement on the direct route because the investor has a marketable security he or she could sell any time.

In direct contrast to the practice in developed countries where mortgage banks sell bonds to raise funds for housing, in some developing countries like Nigeria they are entirely funded by government loans. This makes them not only dependent on but also vulnerable to bureaucratic manipulations. As such they tend to be ineffective and in most cases cease to function when funds from the government are not forthcoming. Instances of this nature underly the importance of a capital market in the development of the mortgage bank system.

2.4. Housing finance institutions

Besides the development of viable housing financing systems, especially in developed countries, which have evolved over many years, there are housing finance institutions which are closely linked with them. Institutions such as saving banks and building societies operate the deposit taking system, while a number of others may combine more than one or two types of system (Boleat, 1982). In the United Kingdom for example, building societies, and commercial banks coexist side by side though the building societies predominate. Boleat (1985, 1987) however, categorized institutions involved in housing finance into five types. They include general banks, savings banks, specialist savings banks, mortgage banks, and insurance companies. The functions of each institution with regard to housing finance is briefly considered in this section.

2.4.1. General banks

Prominent among the five categories are general banks that provide a full range of financial services among which is housing finance. Generally, house financing does not account for more than 20% of the total assets of general banks (Boleat, 1982) though some banks in different parts of the world have significantly higher mortgage portfolios. For example in France, Italy, Japan and Switzerland, commercial banks are among the dominant lenders while some are known to own subsidiary savings banks, as in Australia and New Zealand, or mortgage banks in the Netherlands and the <u>Bausparkassen</u> in West Germany. However, due to the wide range of activities offered by general banks, it is often difficult to analyse their role precisely in the housing finance market.

2.4.2. Savings banks

Savings banks, unlike the general banks, may be described as institutions which raise their funds almost entirely from the personal sector and use the same to lend to the personal and small business borrower (Boleat, 1985) and in so doing form a link between corporate and the co-operative institutions. They are in the main, non-profit institutions which are exempted from tax and therefore are able to compete fully with commercial banks in performing the same functions. They include mutual savings banks which exist mainly in the United States of America and some Latin American countries.

In some countries like Nigeria, savings banks are large organizations providing full banking services for both individuals and small businesses, but not specifically for house financing. On the other hand, in France, savings banks account for about a quarter of the housing finance market and about half of the savings market, in which case, they provide for both sectors. Even though the development of savings banks has been largely confined to developed countries where they have been in existence for almost a century, serving households of all income levels (Jorgesen, 1975), they are found in some developing countries where, despite their fast development and growth, they have not been able to serve households of all income levels. This is because they tend to avoid any risky business and aim at maximizing profits.

Although by their size savings banks are prominent in savings for housing and other general purposes, such that their operations are comparable to both the savings and loan association and the building societies, they differ in that they will only advance an unsecured loan provided the borrower is judged credit worthy.

Similar to the building societies in the United Kingdom, mutual savings banks are required to maintain higher liquidity ratios than savings and loans institutions in the United States of America. Moreover, since mutual savings banks are largely confined to the north-eastern part of the United States of America, where they perform similar functions which savings and loans institutions or commercial banks do in other parts of the country, they are not so widespread. However, unlike the share purchases of savings and loan associations, they only accept savings deposits which are genuine (Meyerson, 1962). Furthermore, they invest the largest share of their long term deposits in residential and other mortgages. Consequently, they have more freedom to meet up with other community banking needs and at the same time give depositors greater protection than the savings and loan institutions in terms of withdrawal privileges (Meyerson, 1962).

Large savings banks are national lenders and by making use of the services of agents and brokers as the commercial banks and insurance companies do, they are able to offer a wide range of services including house funding. However, in countries like Japan, Spain, Italy and New Zealand, though savings banks have large shares in the housing market, house purchase loans from them account for only between 20% and 50% of their assets with slight variations from country to country (Boleat, 1985). Most savings banks in some countries for various reasons cannot make direct loans but by indirectly buying bonds issued by mortgage banks, which in some cases are owned by the saving banks, they contribute to housing finance. A good example is in Sweden and Denmark where savings banks are the major purchasers of bonds issued by specialist mortgage banks. On the other hand, regional groupings of savings banks sometimes own specialist housing finance organizations like in West Germany, where savings banks are grouped in Laudesbank, which in turn control the Bausparkassen mortgage bank.

2.4.3. Specialist savings banks

Apart from savings banks there are other specialist savings banks which devote almost all their lending to house purchase. Such specialist savings banks are generally not called savings banks but building societies, as in United Kingdom, Australia, and New Zealand. In Canada, they are called mortgage loan companies, and in the United States of America and parts of Latin America they are called savings and loans associations. Building societies in the United Kingdom were formed by members for the purpose of raising money for housing (Hobson, 1959). By definition they are non-profit making institutions and have been successful with over 500 societies and about 4 million borrowers (Jorgesen 1975; Philips, 1987).

In Britain, building societies have stimulated a lot of interest in the growth of owner occupation, which has led to constant demands for their services, and encouraged speculative builders to produce in anticipation of the demand (Harvey, 1987). They achieved this by providing much of the mortgages for home ownership by successfully tapping an expanding share of personal savings. Although Boleat (1987c) has argued that the dividing line between a general savings bank and specialist building society is blurred and is becoming more blurred as building societies diversify their activities, building societies were established primarily as mutual societies to provide housing finance their members.

However, building societies have come under severe criticism by housing researchers like Forester (1976) who have argued that by increasing their branches, the building societies were duplicating their efforts and costs. Balchin (1981) further criticized them for indulging in expensive persuasive advertising and offering savers rates of interest below the rate of inflation which gives the saver a negative return. In addition, he viewed their practice as a regressive redistribution of wealth which benefits disproportionately the better off and existing home owners. He also criticized them for being rigid and inflexible in their lending policies, unwilling to lend in the case of older properties, inner cities, converted flats or to non-professional workers. This later criticism has been countered by the entrance of the banks into the mortgage market which has forced the building societies to become more flexible. However, Balchin (1981) further argued that because of their red lining policies which favoured the financing of one type of building, property developers have concentrated on the setting up of the same type of buildings which in effect discriminates against many more people. Furthermore Harvey (1987) argued that by being over prudent in their financial policies, in that they do not operate at below 15% although the legal minimum liquidity ratio is 7.5%, they blunt efficiency and, by not maintaining the minimum legal liquidity ratio, they reduce lending and consequently the number of borrowers. The building societies while not entirely refuting the allegation of discrimination by red lining either of certain urban areas or income groups, argued that they are merely concerned with ensuring that any money lent on a house is not going to be lost.

It can also be argued that they could do better by relaxing the income qualification on mortgage applicants. They could for instance, take expected future income of the applicant into consideration when deciding on who receives what, when and where. These criticisms notwithstanding, building societies in Britain could be said to have contributed enormously to owner occupation and the joy that home ownership brings.

However in the United States of America, where savings banks and savings and loans associations exist side by side, their activities are not easily distinguishable because their roles are switchable. Nevertheless, the major distinction is that building societies or savings associations are likely to have about 80% of their assets in mortgage loans compared with the smaller proportion in the more general savings banks (Coakley, 1983; Boleat, 1985). Where, however, their functions are not fused together, there has been intense competition between them. In contrast, where savings banks occur in developing countries, they are not as much involved in house financing as they are in the developed countries. This may be due to the fact that they avoid mortgage financing, which is considered risky, in favour of deposit taking, or that the banks provide funds for government projects in other sectors of the economy.

2.4.4. Contractual institutions

While specialist savings banks are fairly widespread, contractual institutions exist in only two major industrialized countries, namely Austria and West Germany, and to a lesser extent in some Latin American countries. Contractual institutions like the German-saving-for building, though similar to building societies, differ principally because they are not financial intermediaries between borrowers and savers, but a kind of co-operative which undertakes to contract with a saver to make periodic payments into a savings account, usually in the order of 4% of the target amount per month for over 16 months (Jorgesen, 1975).

The success of the German experiment is due to three key factors which are often overlooked when considering the applicability of this concept to new environments. Key factors such as a stable price level, availability of complementary loans arranged by the lenders, guarantee that the house will effectively be bought at the end of the saving period. Moreover, availability of more savers than borrowers ensures a continuous source of funding into the system (Renaud, 1984).

However, in Latin America where the amount for the loan in relation to the periodic payments and the target amount is small, the period of waiting for allocation and repayment is much shorter. Therefore it has not been successful because participants receive amounts which are far less than they need to buy a house. Moreover, due to the fact that the allotment time was not fixed when the contract was arranged, but depends solely on the saver reaching the contractual minimum and accumulating points that will enable him or her to participate, new members are discouraged. This in turn pushes the allotment date further into the future, since funds available at any time depend on the flow of new savings into the society (Jorgesen, 1975).

On the other hand, contractual institutions could still serve people in all income levels if properly adjusted by systematic evaluation. For while most other systems seem to exclude self-employed households because the verification of their income and the determination of their credit-worthiness is not easy, the contractual savings scheme offers them the opportunity to prove their credit worthiness. In addition, since the self-employed form a large proportion of the urban population in developing countries their inclusion will increase the credit base of the house finance scheme (Renaud, 1984). Its apparent failure in France, Morocco and Tunisia notwithstanding, there are positive signs that this scheme could succeed with proper adjustments in developing countries.

2.4.5. Mortgage banks

In some countries like Denmark, mortgage banks are completely independent institutions and not part of the mortgage bank system, while in others, they are either owned by commercial banks or the government as in Nigeria. Mortgage banks usually do not have many branches because they are not deposit taking institutions, and since it is not practicable to be successful in housing financing unless there is a way of attracting funds, they collaborate with other financial institutions as their agents to be able to make housing finance available to borrowers (Boleat, 1985; Renaud, 1987).

A good example is the Danish system of mortgage societies which began in the middle of the 19th century with other forms of co-operative and is serving both high and low-income groups as well as institutional builders, and industrial and commercial property builders. For instance, the Danish mortgage system is distinguished by its complete acceptance of the mortgage as a negotiable instrument which is easily traded daily on the stock exchange and over the counter. Consequently, Danish mortgage certificates are highly liquid with daily price fluctuations, to the effect that since the bonds carry the fixed interest rate coupon, the quoted bond price reflects the general interest level (Boleat, 1987c).

Although Danish mortgage societies are grouped into two classes, yet all give long maturities of up to 30 years and about 85% of the total value of the property (Jorgesen, 1975). The process of obtaining a loan is simply to submit a written application. After the visit of the valuer, a written offer is made which, when accepted by the borrower, automatically makes him a member. Unlike building societies the age and income of the applicant is not important since the property is the security. The system is therefore less discriminatory in that people who would have been excluded by such conditions as age and income can have access to housing finance.

2.4.6. Insurance companies

Life insurance companies attract savings as premium in their insurance contract and therefore have long term funds. Hence they do not face withdrawal problems as the building societies in United Kingdom or their savings and loans associations counterpart in the United States of America. As such they can afford to invest a very large portion of their total assets in long term investment like housing finance (Macrea, et. al. 1981). For example in the United

State of America, they provide about 39% of the institutional housing finance (Jorgesen, 1975). However, their interest rates and terms of maturity are similar to that of the commercial banks, but, unlike the banks, they further require an insurance policy cover, issued specifically by them to cover the borrower's life for the same amount which is lent.

As such the premium paid is on the policy and the maturity term does not extend beyond the life expectancy of the borrower (Coakley, 1983). Like the building societies, age could be a limitation but unlike them, different varieties of insurance principles remove this limitation. For instance, instead of the policy holder repaying the loan, the insurance will automatically cover the loan in case of death or at maturity, whichever comes first (Jorgesen, 1975). On the other hand, if the property changes hands before maturity, the full amount of the loan will have to be settled. This however is no obstacle to borrowing since the borrower is replaced by the new owner at the time of exchange. In each of the two cases, what the borrower has paid during the duration of the loan is interest on the principal sum and a loan insurance premium. Consequently, the policy holder has not insured his life but the insurance company's risk in extending him the loan.

The snag, therefore, is that if life insurance is a prerequisite for obtaining a housing loan, it automatically excludes potential borrowers who already have life assurance policies and may not desire to take another. However, as much as the assurance companies provide housing funds, their mortgage financing as a proportion of total investment is comparatively low because a large percentage of their assets are invested in prime corporate, public utility and government bonds which are less risky and easier to invest in than in mortgage financing (Clark, 1978). Therefore, their large size coupled with the fact that they make use of regional offices or mortgage brokers for mortgage placement and servicing has helped them make greater impact on housing finance especially in the United State of America (Meyerson, 1962). Unlike the savings and loans association, they tend, however, to lend only on the best security and finance, mainly new residences in the best locations, which is not only restrictive but also discriminatory.

However, the adoption of the Federal Housing Administration System of insurance in the United State of America has greatly facilitated the national mortgage lending operations of life insurance companies (Meyerson, 1962). Consequently, they rank as the highest among the holders of the Federal Housing Administration insured loans and also a large purchaser of mortgage from other classes of lending institutions especially mortgage brokers.

Life insurance companies like commercial banks operate widely in developing countries. For example, the government policy for insurance in Nigeria requires them to engage in housing finance on the same principle as in the developed countries, but in contrast many of them do not do so in practice. The reason so often advanced for their ineffectiveness is that house financing is a risky business which of course is not valid because it is one of the many services they are required to provide. Moreover, since they have long maturing funds, they should be able to provide the long term finance required of a housing finance loan.

It must be acknowledged that institutional funding has aided home ownership, but in doing so it has created problems associated with the management and distribution of the available housing resources. Such problems arise when people have unequal access to the institutions' funds and this has attracted the attention of urban researchers.

2.5. Access and conflicts in housing finance

Generally, finance for housing, like other resources, is scarce but as Harvey (1977) observed, even in the capital market it is best regarded as a residual that is left over after basic governmental and corporate needs have been met. In addition, Bourne (1981) pointed out that part of the problem in the study of housing finance has been the availability of disaggregated data on mortgage lending, which has led to an increasing interest in the study of spatial allocation of that lending, rather than the mortgage. Such interest raised questions such as whether there are systematic differences in the provision of mortgages between regions, across an urban centre, or whether there is bias in lending in relation to the location of the low-income or minority households. Other queries include whether such variations affected the operations of the housing market and the quality of the house or neighbourhood changes (Bourne, 1981).

However, access to housing finance is determined by individual and corporate actors like government agencies and financial institutions. Many of these actors have been closely scrutinized by housing researchers such as Smith (1970) who carefully reviewed the role of each actor and institution in the housing allocation process. Pahl (1976, 1977) further regarded all administrators, politicians and technicians in the field of housing as "gatekeepers" who effectively determine who gets what from the housing market and where. In addition, Palm (1976, 1979) examined the part played by estate agents in determining the choice of housing available to different households through their control of the housing market in the United States of America.

Saunders (1986) further extended Pahl's theory by indentifying in more detail the relation which managers are called upon to mediate. He recognized the sorts of professional managerial ideologies and values which are likely to emerge in different situations and specified under what conditions these values and ideologies are likely to prove paramount in shaping the state of outcomes. In his view, "urban managers" stand at the intersection of the politics of production and the politics of consumption, to the extent that these different spheres relate to different types of state intervention organized in different ways at different levels, in respect of different kinds of interest. Urban managers, he continued, can be seen as mediating the tension between economic and social priorities, corporatist and democratic strategies, central and local initiatives and class and sectoral interests.

These studies showed that urban managers and especially managers of financial institutions, for economic reasons determine who receives mortgage loans and where. In taking such decisions, their main priority is maintaining sound financial balance. They thus avoid risk so that those economically unable to meet their requirements are not acceptable. As Saunders (1986) further argued, the way the financial managers mediate these various cross-cutting pressures depends upon their own values and interests which are often technocratic and apolitical. As such it could be assumed that financial managers take decisions which protect their own interest although such decisions are also seen to protect their institutions from risk.

Moreover, there are cases in which borrowers, who are within the acceptable income level and therefore qualified for loans are refused such loans by the managers to buy homes of their choice or in areas of their choice. By so doing, financial institutions/managers deny borrowers their freedom to live where they would like to or by not granting loans on certain types of accommodation, deny them their freedom to choose. Such bias raised questions about the regional pattern of lending. Hence the studies of Morrison (1979), Harvey, et. al. (1974), Stone (1975), and Harvey (1977) focused mainly on the allocation of mortgage funds to people living or wishing to live in different parts of the city.

Although the empirical results varied, there was a consensus in their conclusions that the distribution of mortgages is spatially restricted, with the oldest and poorest residential areas receiving the least. Also both private and public institutions take part in this form of discrimination and lending in poorer areas is harsh in terms of down payments, rate of interest, and period of amortisation. In addition, they concluded that although different institutions use different criteria for allocation of mortgages, they generally aim at maximizing profits and that discrimination in mortgage lending plays a major role in initiating the process of housing and neighbourhood deterioration.

As such, Williams (1976, 1977) and Balchin (1981) viewed such policies as "red lining" by the building societies, in the United Kingdom which are reluctant to lend on houses in the inner cities that is the only housing accessible to those with low incomes. Red lining is a term used to describe the practice whereby mortgage lenders remove neighbourhoods from the map (with a red pen or pencil) of areas where they will extend credit through mortgages (Bourne, 1981). In other words, it is the red line on the institutional ledger below which insufficient returns or losses on mortgage lending are expected. Therefore building societies do not give due weight to social needs when deciding to apportion their mortgage funds. Balchin (1981) showed that there was evidence that building societies were red lining inner city areas of London, Birmingham, Leeds, and Liverpool and that a disproportionate number of mortgages went to high-income borrowers. Thus by taking such decisions, the building societies could be seen as avoiding social responsibilities and stereotyping individuals according to areas they are seeking to buy in.

Besides, Harvey et. al., (1974) criticized the savings and loans associations in the United States of America as contributing to the running down of inner-city districts by refusing to give mortgages to the areas they had red lined. He viewed such policies as resulting from the monopoly of finance capitalism which manipulates the pattern of development and land values by granting finance in some areas and refusing it in others, and then concluded that the geographical pattern of development may be influenced by the policies of financial institutions. Furthermore, Harvey (1977) argued that there is a highly structured relationship between different types of institutions and different segments of the housing stock. He pointed out that different intermediaries serve different geographical areas and therefore act to form distinct housing sub-markets.

In this study Harvey (1977) for example, showed that the black community of West Baltimore were discriminated against by savings and loans associations in its quest for mortgage finance and was therefore forced to rely heavily upon mortgage bank sources and Federal Housing Administration Insurance, even though its income characteristics were broadly similar to those of white areas served by the savings and loans associations. Thus the financial institutions, by denying funds to certain groups in particular areas and channelling investments to preferred speculative borrowers, created a decision context in which speculative activity was almost bound to succeed.

Access to housing can also be interpreted differently as not resulting from competition in the economic market or institutional behaviour, but as a result of class conflict. Such interpretation followed the Weberian theory by Rex et. al.(1967) who argued that housing allocation is a direct function of class struggle inherent in a capitalist society and central in any understanding of the social structure of the city. The structure, they concluded, is the result of class struggle over the use of homes in the city, which arises when people have differential means of access to the housing market. Hence they identified five different classes and then posited that the fundamental cause of such differentials is the existence of wide differences in income in society. Besides Rex and Moore (1967), other studies by Rex (1971), Rex and Tomlinson (1979), and Pahl (1976) identified other classes which prompted Saunders (1986) to conclude that it is not easy to construct ideal types of different housing classes which will be mutually exclusive and relatively unambiguous. Saunders (1986) therefore concluded that the application of the Weberian framework leads to the identification of three distinct classes such as landlords, owner occupiers and tenants. It is on this classification that we shall base our class analysis in the study of Nigeria.

In addition, Castells (1975, 1978) in particular saw access to housing and different housing situations which it produced as not only dependent on access to credit but also dependent on both income and expected future income. His view is similar to the economist's concept of long term income which Bourne (1981) regarded as being dependent on one's career path, occupational status and social position, and hence on one's ability to use the system. Therefore a person's ability to use the system to gain greater access to housing, he concluded, is further dependent on the ability to gain and use information and social contacts. That ability, Harvey (1973) and Castells (1975, 1978) argued, is largely culturally determined with respect to one's familiarity with the cultural values and behavioural norms of the dominant social class.

These concepts expose the various dimensions of access to housing and housing finance in particular when viewed against the background of urban sociology and development. The issue of access to housing finance has been strongly queried and it is certain that not all potential borrowers have access to funds irrespective of income and ability to pay. Furthermore by red lining urban areas, the financial institutions not only deny legitimate borrowers the right of access to finance, but ultimately influence the unequal development of geographical areas of the city. Moreover as Harvey (1977) showed, discrimination on social rather than economic factors denies even qualified borrowers access to not only finance but also choice of house type. It therefore renders the argument by the financial institutions, that they are avoiding risk, invalid since social or racial background is not synonymous with the ability or inability to pay.

The degree, however, to which red lining and associated concepts could be applied in developing countries is dependent on the availability of statistics which are lacking. Moreover, since housing finance is still in its infancy, especially in the developing countries of Africa, the extent to which these concepts could be tested in developing countries like Nigeria depends on the nature and type of the housing finance system and existing institutions. Furthermore, urbanisation is still going on at a fast rate, and it will take some time for any meaningful measurement of any of the concepts to take place. What is probably measurable, however, is the extent to which the different urban classes and people engaged in different sectors of the economy have been favoured or denied access to housing and housing finance through the lending policies of the financial institutions.

Yet in a situation where the majority of the renting urbanites are in the low-income group, the reasons for denying them access to funds by the financial institutions seem obvious. This does not imply that discrimination based on income is acceptable, because as Grimes (1976) identified, home ownership and the attendant upward social movement is a great incentive for saving among the low income group. Therefore it is not enough to deny the low income access to housing finance on the basis of income alone, rather they should be accommodated and encouraged to save towards home ownership through a savings mobilization scheme. Moreover, discussion of housing finance for the low income of developing countries has long been dominated by the question of affordability to the neglect of institutional provision of financial services and the constraints that the level of development of the national capital market impose on the type of financial institutions that can be developed.

Certainly the study of housing finance is neither limited to only conflicts associated with accessibility, nor is it confined to resource allocation for low-income housing as Jorgesen (1975) applied it. In addition, it is not restricted to the problem of techniques and models of affordability nor in their micro-behavioural forms for low-income households as in the studies of Wakely et. al., (1976), Wingo, (1961), Alonso, (1964), and Evans, (1973). Rather, the study of housing finance should seriously consider the need for developing viable and effective intermediaries that will meet the housing needs of a majority of borrowers, irrespective of income group, especially in the developing countries of Africa. Before we can consider this, it is expedient to examine the growth and development of housing finance institutions in some developing countries.

2.6. Summary

From the above review, it can be seen that both household savings and institutional sources play important parts as sources of funds for housing finance in most developed countries. However, the means through which funds are transferred from the lender to the borrower varies from place to place. This notwithstanding, the use of the direct route is widespread in all countries, though some countries use one or more systems to enhance an efficient fund transfer. These variations reveal the differences in housing finance systems and institutions and highlight the difficulty in transferring a specific system from one country to another.

In addition, each country adopts policies and strategies that will aid the availability of housing finance to its borrowers. Some of the policies are determined by the history and development of housing finance institutions, government policy and the socio- economic nature of either the country's capital market or its housing market, though in developing countries, the situation is different in that their economies are poor and the capital market is not well developed. However, the increase in demand for housing finance and the method of its distribution has created inequalities and conflicts in urban centres of both the developed and developing countries. We shall therefore review the growth and development of housing finance institutions in developing countries in Chapter Three in order to ascertain the level to which they have developed, and how effectively they have provided funds for home ownership.

Chapter 3
Conventional housing finance institutions in developing countries

3.1. Introduction

This chapter presents a comparative review of the growth and development of housing finance institutions in some developing countries of Central and South America, Asia and Africa. It describes the functions of the institutions identified as well as discusses how they have been successfully integrated into the national economic plans of the countries notably in Central and Southern America. In addition, the chapter shows that housing finance is most developed in Hong Kong, and among South American countries, while those of Africa are still lagging behind. This review is an important prelude to the discussion and assessment in Chapter Four of the performance of similar housing finance institutions in Nigeria.

Housing finance is not readily transferable from one country to another, because of differences in, for example, the nature and type of a country's capital market and currency. Therefore there are considerable differences in the growth and development of housing finance systems and institutions in different countries. These differences are even greater in developing countries where the systems are poorly developed and the institutions few.

These differences notwithstanding, there have been some fundamental improvements in many countries notably in South and Central America. Countries in this sub-continent have developed complex housing finance systems that are comparable to those existing in developed countries as exemplified by the systems in Brazil, Colombia, Argentina and Peru. This region can be said to have been influenced greatly by the United States of America, Canada, and to a lesser extent Britain in the development of their housing finance systems and institutions. Before 1960, there were very few specialist housing finance institutions in existence in the region. Housing loans with high interest were mainly available from commercial banks, thus limiting a large number of people from having access to mortgage credit facilities. This made it possible for the unconventional housing finance institutions to continue to exist side by side with conventional institutions, and even become predominant, since they could be used by a larger proportion of the urban residents than the conventional institutions could cater for.

Although their effectiveness has been greatly affected by recent economic crises and consequent high inflation, housing finance institutions like savings and loan associations, savings banks, building societies, commercial banks, mortgage banks, insurance companies and other forms of specialised housing finance institutions all co-exist with the unconventional housing finance institutions in most urban centres of the developing countries. The following sections are not concerned with the co-existence of the two types of institutions, rather they provide a comparative analysis of the various ways that conventional institutions, such as savings and loans associations, have been used by the different countries to provide housing finance for their citizens.

3.2. Savings and loan associations

Savings and loan associations or mutual savings and loan associations as they are sometimes called are the most widely used housing finance institutions in Latin America and the Caribbean. A critical review of existing literature shows that they do not exist in Africa and Asia to a noticeable extent. Their growth and development are traceable to the activities of an American Priest, the Reverend Father Daniel McLellan, who worked in Peru. His activities in the Peruvian village of Puno was instrumental in the formation of small credit cooperatives. This development, further helped by expert advice from the officials of the United States Agency for International Development, led to the growth of savings and loan associations which were modelled after the parent association in the United States of America. From Peru, savings and loan associations spread to other countries within the sub-continent like Ecuador, Venezuela, Guatemala, and the Dominican Republic by 1962. By 1964, Bolivia, and El Salvador had joined and later Panama in 1965 (Boleat, 1985).

Most of the savings and loan associations were small initially as they were made up of independent societies. Nevertheless, their existence contributed much to the development of other forms of housing finance institutions in the sub-continent. Presently, countries like Brazil, Venezuela, Chile, Argentina, Ecuador, the Dominican Republic, Puerto Rico, Cayman Islands, Peru, El Salvador, Bolivia and Guayana have well developed savings and loan associations. Their size and membership varies from country to country but their existence stimulated the growth of economic development in the region (Sandilands, 1980; Boleat, 1985). The most notable is in the Dominican Republic, where savings and loans associations influenced the economic development plans (Carlson, 1988b).

The Dominican Republic, though small in area, has developed a housing finance system made up of 19 mutual savings and loan associations, and a national housing bank (Carlson, 1988b). The idea of establishing a savings system for housing started in 1961. As in other Latin American countries, the Inter-American Development Bank and the government of Puerto Rico provided the technical advisers. Legislation was drafted for a non profit mutual savings association based on the United States model and, by 1962, law numbers 5894 and 5897 were enacted leading to the formation of the national housing system. Law number 5894 established the National Housing Bank whose duties included the organisation and the determination of the operations of the housing finance system. Furthermore, Law number 5897 provided the bases for the establishment of Savings and Loans Association as a joint venture between the public and private sector (Carlson, 1988b).

One of the earliest mutual savings and loan associations to be established was the Association Popular, which started in 1982 with 55 members. Later, others like Association Ciboa followed, but like most other developing countries in recent times, the economy of the Dominican Republic has not been stable. This led the directors of its financial system to seek new options and redesign the existing policies. The National Housing Bank, as an important central and regulatory arm of the system, played an important role in this respect by supplying the associations with resources and by granting them deposits under favourable terms or by purchasing insured mortgages. It also helped the growth and development of the system by providing regulations that permit increases and diversification of the associations' activities.

For instance, at first the associations were limited to investing in construction financing, acquisition and improvement of family housing, but by 1969, Law number 417 was passed which gave them wider areas of activity. This law gave them the power to approve loans for commercial buildings as well as for rented and office buildings. The associations were also allowed to invest their resources in tourism, to help the ailing economy.

Presently, they can approve personal loans up to 20% of their total loanable funds (Carlson, 1988b). The National Bank, in order to offer security for the association's mortgage loans operations, established a mortgage insurance mechanism known as Formento de Hipotecas Aseguradas (F.H.A.) whose main aim was to promote private investment within the housing sector through the operations of investors who acquire security bonds, guaranteed by the insured mortgages. This development led to the establishment of a secondary mortgage market which is often lacking in most developing countries. There was also a deposit insurance system for the savings and loan associations which increased the confidence of savers in the institutions.

Furthermore, to reduce the amount required by a prospective home buyer, adjustable rate mortgages were introduced. Savings and loan associations were then authorized to extend long term mortgage loans for housing construction. Other measures like tax exemptions granted to investments in the system further encouraged the growth of housing finance. As a result, both the savings and loan associations, and the mortgage bank on average provide finance for about 4,000 housing units annually and have contributed to about 72.8% of private sector housing finance resources (Carlson, 1988b), thus aiding the revival of the national economy.

In Brazil, however, savings and loan associations are similar to housing credit companies but differ in that they are mutual savings associations rather than joint stock companies. Due to instability in the national economy, the savings and loan associations were badly affected and faced severe financial difficulties. Hence their number has declined and many people that had savings accounts withdrew. The bulk of their debt, estimated at $ 1.4 million, was owed to the National Bank (B.H.N.) (Bately, 1983). This is because the National Bank had provided guarantees for their mortgage loans since the savings and loan associations were incorporated into the national economy.

On the other hand, the Colombian system clearly demonstrates that savings and loans can be integrated into a national economic plan. It also shows how the government can influence the national economy through the mortgage market (Sandilands, 1980). For example, conventional housing finance institutions in Colombia grew as part of the National Plan called the Four- Stage Plan which originated in 1971. The plan, developed by a team of economists headed by Professor Lauchlin Currie, a former adviser to President F. D. Roosevelt of the United States of America led to the development of savings and loan associations called the Corporaciones de Ahorro y Vivienda (C.A.Vs) in September 1972 with indexation built into its method of operations (Eduardo, 1981). The Four-Stage Plan was designed to give high priority to housing construction and urban development. However, the main focus was not to stimulate savings per se, (though it was expected to do so) nor to provide low-cost popular housing (though it was expected to aid in doing so also), but to accelerate the rate of overall aggregate growth of the economy (Eduardo, 1981). The Colombian savings and loans system was therefore an integral part of the macro-economic plan of the government to encourage growth under stable conditions. Since its inception, the Savings and Loan Association has grown to become a major provider of housing finance in the country. Its success has proved that housing finance systems can work in an inflationary environment, provided an appropriate method of indexation is built into them. In addition, it shows that it can contribute to the establishment of a strong financial structure. As Boleat (1985) pointed out, the benefit of this successful experiment was reaped by the middle-income group to the neglect of the low-income group, as in most other developing countries. The Colombian experiment, however, demonstrated that an efficient housing finance system will ultimately contribute to the general economic development of a nation, and further stressed the importance of ensuring that subsidies reach the target groups. Thus the Colombian experiment, contains important issues, that is worth considering while developing a housing finance system for Nigeria.

In the case of Argentina, savings and loan associations were started in 1962, but within the first 17 years of their existence, the government greatly regulated their operations in order to reflect the changes in the country's economy (Cardis, et. al. 1983). This was done by federal regulators made up of the Federal Housing Authority, the Superintendency for the Savings and Loan Associations and the Federal Bank for Savings and Loans between 1962 and 1977 and the Central Bank which serves as the mortgage bank since 1977 to date.

Between 1962 and 1977, the savings and loan associations in Argentina like others in the sub-region, at that time, were privately owned with specific social functions. They were highly specialised in housing finance and had government insurance for savings accounts and institutional tax exemptions. Of specific importance was the fact that between 1962 and 1975, savings were tied to contractual plans, which required a customer to save with the institution for at least one year, to be eligible for mortgage loans. Between 1967 and 1976, however, an alternative lending system to the contractual plan was introduced, whose main feature was that both savers and borrowers were not regulated to save for at least one year before qualifying to apply for mortgage loans.

There was then no minimum saving period before an applicant could apply for loans, and both the savers and borrowers were free to choose either the market rate or the contract rate.

However, the period between 1976 and 1977 witnessed a general indexing of the economy, which affected not only fund acquisition but also mortgage lending operations. At this time, interest rates for contractual savings and loans were determined by the Central Bank. By February 4th 1977 however, under law number 21.526, the Central Bank, which has become the specialist mortgage institution, absorbed and incorporated the savings and loans system and was invested with powers to regulate not only the savings and loans system but also the Commercial Banks (Cardis, et. al. 1983). Consequently, under Central Bank control, the savings and loans system was made to adapt to the changes in the economy. For example, an attempt was made to find a formula which would be equitable and viable to both savers and borrowers of thrift institutions, and at the same time maintain the sound financial integrity of the system. It was through these changes that the government not only controlled the economy but also influenced the mortgage market in the country. Therefore as in Colombia and the Dominican Republic, savings and loan associations were used to influence not only the housing market but also the general economic development of the country.

3.3. Savings banks

As we noted in Section 2.4.3 above, savings banks differ from savings and loan associations in that they (the savings banks) will only advance on unsecured loan, provided the borrower is assumed to be credit worthy. In addition, savings banks are expected to maintain a higher liquidity ratio than savings and loan associations.

The savings bank has grown to become an effective vehicle of housing finance mobilization in countries such as Brazil, Venezuela, Colombia, and Bolivia. There are also other countries like Chile, where the savings bank, though one of the largest banks, is not exclusively a housing finance institution. Where such is the case, they operate in conjunction with other specialist housing finance institutions to make housing finance available to borrowers. The Savings Bank in Brazil for example coexists with the Banco Hipotecario de Fomento Nacional, which is the main specialist housing finance institution in the country.

The Brazilian Savings Bank is one of the most outstanding in developing countries. Although one of the four main branches of the Brazilian housing finance systems, the Federal Savings Bank Cex or Cais Economica Federal is apparently the largest individual lender in Brazil with 3,518 branches, thus dominating the country's housing market (Franco, 1988). Unlike the savings and loan associations, the strength of the savings bank lies in having many branches through which it pools its resources in the form of savings, a pattern akin to the building societies in Britain.

Although accredited in 1861, the Brazilian Federal Savings Bank adopted its present form in 1970, with the merger of 92 savings banks, and became fully integrated into the housing system in 1974 (Sandilands, 1980). The Brazilian Federal Savings Bank, as a specialist housing finance bank, obtains 67% of its funds through time deposits and not from the capital market. In addition, about 61% of its total assets are made up of house finance loans (Franco, 1988).

Conversely, in Colombia, the savings bank was the main lender in the period between 1950 and 1958, after which the major institution of lending became the Land Credit Institute and the Central Mortgage Bank (Rivera, 1987). The Colombian Savings Bank as a housing finance institution declined because of the creation and support for the Land Credit Institute by the government which set it up and made the building sector the key strategy for economic growth (Rivera, 1987). In Venezuela however, the Banco National de Ahorro Y Perstamo (BANAP) is the major arm of the country's housing finance system, which works, in conjunction with the Central Bank and a total of 23 mutual savings and loan associations, to provide housing finance. The Banco Nacional de Ahorro Y Prestamo in particular helps to provide liquidity for savings and loan companies and guarantees mortgage loans.

Outside South America, the savings bank is widely used in Sri Lanka, Thailand and Tunisia. In Sri Lanka in particular, they attract the bulk of their funds from savings and fixed deposits. For example, savings banks in Sri Lanka by June 1983 had attracted about 28.0% of the total deposits in the country (Boleat, 1985; 1987a). Their growth and strength was stimulated by the merger of the Post Office Savings Bank, the former Ceylon Savings Bank and the Savings Certificate Fund in 1972. This merger made it possible for the savings bank to operate through Post Offices and sub-post offices in locations where other institutions like commercial banks are not in existence. In Thailand however, they control only 1% of the total deposits because they have few branches and therefore a smaller network (Boleat, 1987a). Moreover other house financing institutions, like the specialist housing bank and commercial banks, are more dominant than the savings bank. As such they are not comparable to the ones in Brazil or Sri Lanka.

In Tunisia, however, the National Savings and Housing Bank Caisse Nationale d'Epargen-Logement - (C.N.E.L.) established in 1975, is the main housing finance institution in the country. It is wholly owned by the government and operates through 16 different branches. Although established solely to implement the financial aspect of the Tunisian government's housing policy, the National Savings and Housing Bank (C.N.E.L.) operates both the West German type of Bausperkassee and the French d'pargne-logement schemes. Savings contracts are allowed for 4 years and attract about 6% fixed interest which includes a 2% bonus from the State Government (Renaud, 1984). At the saving period, the saver can be loaned two times the amount he had saved. Loans are granted at 5.5% interest rate less 1% government subsidy and are required to be repaid over 10 to 15 years. Bridging loans at the interest rate of 7% are also granted to be repaid within two years (Boleat, 1987a). Apart from funds raised by savers, the National Savings and Housing Bank raises its funds by borrowing from commercial banks at a subsidized rate of interest. Other sources of funds include money raised through the United States Agency for International Development (U.S.A.I.D.) and grants from the government of the United Arab Emirates (U.A.E.).

The Tunisian Housing Bank, apart from making loans available to individual home buyers, is also involved in other activities which include making loans available to housing developers. While working in conjunction with the National Real Estate Company Societe Nationale Immobilie're de Tunisie-S.N.I.T. that provides the construction, the National Savings and Housing Bank supplies the construction finance and funds for the ultimate purchaser. As one of the largest savings institution in the country, the Tunisian National Savings and Housing Bank is generally regarded as a success story. The other housing finance institution is the Caisse d'Epargne Nationale Tunisie (C.E.N.T) which operates through the post offices and which, after recent expansions, now has 500 branch offices and 500,000 depositors throughout the country (Boleat, 1985). Unlike the National Savings and Housing Bank, however, the Caisse d'Epargne Nationale Tunisie does not lend to the private sector, as all the funds it collects are put into use by the national government.

Apart from Bolivia, where hyper-inflation of recent times has retarded the growth of the savings bank, it can be seen that the adoption of this finance institution in places like Brazil and Sri Lanka, where they have developed many branches, has been successful. Moreover, the example of Tunisia, where two different types co-exist, demonstrates that the system can operate in conjunction with others to make housing finance available to those in need. In addition, it shows that if savings banks are allowed to expand and have many branches or other channels through which they could operate and attract savers, they are more likely to succeed and in the long run aid the growth of the nation's economy. Although, by granting loans at subsidized rates to savers, the government of Tunisia was indirectly encouraging people to save for housing, with many developing countries burdened with foreign debts, there are few countries that can afford to subsidize loans. Nevertheless, by granting higher interest rates to savers, people are definitely encouraged to save for housing which in the long run could help to revive the nation's economy.

3.4. Mortgage banks

Mortgage banks, however, differ from savings banks in that they are not principally deposit taking institutions and as such do not usually have many branches. Mortgage banks are therefore effective in environments where there is an active bond market. In some developing countries like Nigeria, where the bond market is not very active, mortgage banks exist because they are mainly funded by the government. Where this is the case they cease to be effective sources of funds for housing finance when the flow of funds from the treasury stops. There are, however, some other developing countries where mortgage banks have been used as tools of economic development. In such countries, like Colombia, mortgage banks are an integral part of the economic development plan. In most of these countries mortgage banks do not have a wide network of branches but often work in conjunction with other institutions acting as agents in attracting customers (Boleat, 1987a).

The Colombian Mortgage Bank is an example of a mortgage bank created as part of the country's macro economic plan designed to encourage economic growth. It is therefore integrated into the national development plan, and its functions took an upward turn after 1958, when it became the major institution of housing finance along with the Land Credit Institute. The Colombian Mortgage Bank known as Banco Central Hipotecario (BCH) was created originally in 1932 as a result of the serious economic instability at that time (Rivera, 1987). Then, commercial banks were so affected that they stopped mortgage loan operations directly, which paved the way for the creation of the mortgage bank. It however became functional after the decline of savings banks in 1958.

The organisation of the Banco Central Hipotecario is composed of a structure where the General Manager reports to the assembly of shareholders who are made up of representatives of the Ministry of Treasury, Financial Affairs, the Minister for Economic Development and delegates of the Central Bank and other shareholder banks. The BCH is a mixed economic enterprise with 15 banks as shareholders and the remaining one being the country's Central Bank Banco de la Republic with the majority share holding. Its assets were estimated at $1,020 million by 1978, and as such it is the 9th. largest enterprise in the country. In addition, it has financed about 70,481 dwellings between 1983 and 1986, which represents about 18%

of the total housing construction at that period, by raising funds and granting credits for housing and urban infrastructure (Rivera, 1987).

Its success was further enhanced by the interest of the last four successive governments which made the building sector the main pillar of development and specifically concentrated on house building as the key strategy for economic growth. For example, out of the bank's total resources, 86.7% came from private savings while 50.7% was derived mainly from index linked savings. The index linked savings, provided a fixed quarterly interest, plus daily adjustments calculated in accord with the rise in index of consumer prices. Hence non index resources represented 36% of its total resources with only 2.37% from international agencies or banks like the International Development Bank (Rivera, 1987).

The BCH had its original equity provided by private banks, credit institutions and the Central Bank. It was the only bank providing long term housing finance from its foundations till 1972, when the Savings and Housing Corporation was established. Its rapid growth was mainly due to a special provision by the government, which made it compulsory for banks to invest in it and, in addition, it was allowed a preferential tax treatment on the mortgage bonds it raised.

By 1979, the BCH had however, lost its tax advantage, and with increasing inflation from 1975 it became unattractive to fund long-term bonds through the bank. Mortgage bonds had provided 80% of the housing finance by 1970, but by the turn of the decade, it had fallen to 23% (Franco, 1988). At present, the savings and housing cooporative section of the unit account used in the index linking process, provides the bulk of the funds required by the bank for housing finance as well as the Social Insurance Trust.

In Trinidad and Tobago, however, the Home Mortgage Bank is a joint stock bank of both the public and private sectors. Although it is managed as a private institution, its shareholders include the Central Bank of Trinidad and Tobago, the National Bank of Trinidad and Tobago, the National Insurance Board, commercial banks, insurance companies, and the International Finance Corporation which is an affiliate of the World Bank (Hart, 1988). Right from its inception, it has had specific aims which include the development and maintenance of an organized secondary mortgage market, in order to increase the availability of mortgage credit in Trinidad and Tobago. In addition, it was expected to greatly influence the reduction of mortgage rates in the country such that its bonds were granted tax free status. Furthermore, it was created as a tool of savings mobilization for the housing sector and to support the development of a national system of housing finance while promoting leadership in the housing and mortgage finance industry through the development of new programmes and techniques. It was thus created not only to promote the growth and development of the capital market but also to encourage the growth of a secondary mortgage market and general economic development.

For example, as a secondary mortgage bank, it purchased mortgage bonds from primary lenders such as trust companies, life insurance companies and any other lender approved by the Bank (Hart, 1988). To finance these purchases, it sells mortgage bonds to institutional and individual investors. Funds that accrue from such sales are then used by the lending institution to increase the loanable funds and by so doing increase the supply of money in the residential mortgage market. This is unlike the mortgage bank in Colombia, for example, which functions as a primary mortgage bank. Besides, a major difference is that while in Trinidad and Tobago, primary lenders originate mortgages which they sell to the mortgage bank which service and administer the loan once mortgages have been sold. In the case of Nigeria and Colombia they combine both functions and are therefore overstretched, resulting in inefficiency. Apart from the sale of mortgage bonds, the mortgage bank in Trinidad and Tobago, is also expected to grant a fee of 1.25% to primary lenders for non performing loans and by so doing free them from bad debts (Hart, 1988).

Jamaica is another country whose mortgage bank is central to her housing finance development. At first it was started as a primary mortgage bank, but due to a shift in the government's policy, and the economic recession of the early 1980's, the bank's role has changed from a primary to that of a secondary mortgage bank as in Trinidad and Tobago. Moreover, the government of Jamaica has scaled down its involvement in primary mortgage market operations, and does not intend to continue with providing long-term finance to either the private or public sectors. Hence the Jamaican Mortgage Bank is to fulfil that role and see to it that housing finance is provided to all sectors of the economy. Presently, it raises its funds in a variety of ways, which includes subsidies from the government, the Caribbean Development Bank, the National Housing Trust, the United States Agency for International Development, the Commonwealth Development Corporation and from several American banks (Carlson, 1988a).

Another developing country with an outstanding mortgage bank is Egypt, where the Egyptian Real Estate Bank could be rightly classified as a mortgage bank because it operates on a fairly typical mortgage bank principle. Established as Credit Foncier Egyptien as far back as 1850, it is the largest of the three real estate banks in Egypt, which are publicly owned banks, although its main source of funds is the Central Bank. The other mortgage banks are the Real Estate Arab Bank and the Housing Development Bank. The latter was established by commercial banks as a private sector organisation, but unlike the Mortgage Bank of Trinidad and Tobago, which operates as a secondary mortgage bank, the Egyptian Real Estate Bank functions as a primary mortgage bank, making available subsidized loans at subsidized rates to low-income households directly and not through other mortgage agents.

Furthermore, mortgage banks have been established in countries such as Malaysia, Sri Lanka, South Korea and the Philippines. In Malaysia, they serve Sabah and Sarawak, controlling a total of 3% of the Malaysian housing finance market, while in Sri Lanka the mortgage banks control a larger share of the housing market by lending house funding to the tune of 54% of the total (Boleat, 1985). It is thus the third largest single lender, in the country and it uses commercial banks as agents while funding outside Colombo the capital city. Its main source of funds is through the sale of debentures which are mainly purchased by other financial institutions in the country. In the Philippines, however, the National Home Mortgage Finance Corporation holds in trust, funds raised through the Home Development Mutual Fund, a compulsory savings scheme for both employer and employees.

As such, most mortgage banks in developing countries play the role of primary mortgage market lender except for the Mortgage Bank of Trinidad and Tobago and of late that of Jamaica, which is undergoing a transformation into a secondary mortgage bank. It is therefore no wonder that the secondary mortgage market and institutions are poorly developed in developing countries, since the mortgage banks which would have fulfilled such roles are used for primary lending. From the example of Trinidad and Tobago, it could be seen that the mortgage bank can be integrated into a national economic plan and still fulfill the role of a secondary mortgage bank. In addition, by strengthening the secondary mortgage market, most developing countries can aid their ailing economy by reviving the housing sectors of their countries (Boleat, 1987a).

3.5. Building societies

Although building societies are not as popular as other housing finance institutions in Latin American countries, in Caribbean countries such as, Jamaica, Trinidad and Tobago, and Guayana they are widely used. In Jamaica where they are modelled after the British building societies, there are six societies, with the National Building Society as the largest. At present, the building societies jointly control about 41% of the housing market and provide a majority of the mortgage loans in the private sector (Boleat, 1985). In Trinidad and Tobago, as in Jamaica, they are private sector housing finance institutions with the General Building and Loans Association and the Trinidad Building and Loans Association as the most outstanding.

In Guayana, the New Building Society is the main housing finance institution. It differs from the type found in Britain in that it is a mutual housing finance institution that raises the bulk of its funds from the sale of shares to its members (Boleat, 1987a). Compared to the size of the country, it controls a large share of the housing finance market and, although its growth in recent times has been affected by economic recession, it still has the potential of developing further.

In South-East Asia and Africa, building societies are not as well developed as they are in the Caribbean. In Malaysia, for example, they control about 9% of the mortgage finance market. Unfortunately, they have been affected by recession in recent times. For example, since 1970 they have lost a large portion of their share of the housing finance market, declining from 63% to 13% (Boleat, 1985). Presently, there are only two main building societies with a total of 14 branches between them. One of them, the Malaysian Building Society Berhad was originally established by the Commonwealth Development Corporation, but after undergoing a series of reorganizations in 1972, the government of Malaysia became the major shareholder. The Malaysian Building Society is different from those existing in Jamaica, Trinidad and Tobago and even Britain because it raises its funds from the sale of debentures and not deposits.

In Africa, building societies are found in some former British colonies and the system tend to be similar to that found in Britain. At present, they exist in Zimbabwe, Kenya, Botswana, Malawi and Uganda. In Zimbabwe, they take up about 25% of the total personal savings in the country. Before 1960, there were about eight building societies, but this has gradually declined to three active ones, with the Central African Building Society as the largest. Others are the Berverly and the Founders Building Societies. Among them they have about 79 branches throughout the country (Gardener, et. al. 1988). Apart from Zimbabwe, building societies in other countries are not widespread. They have few branches, and are therefore unable to mobilize large amounts of savings.

The Kenyan example is interesting because the existing societies did not expand their branches, but rather new ones were started. For example, in 1960, there were about four building societies, but with a depressed economy, the building societies crumbled. Consequently, three were taken over by the Commonwealth Development Corporation and renamed The Housing Finance Company of Kenya. It was then partly owned by the Commonwealth Development Corporation and the Kenyan Government with a 50% share each. At present the number has increased to 32 registered societies with seven fully operational by mid 1986 (Gardener, et. al. 1988).

The sudden growth in the number of building societies in Kenya, is attributed in part to the limited regulation of societies when compared to other finance institutions. In addition, it is attributed to the coffee boom in the period between 1977 and 1978, which boosted the growth in deposit taking and lending, so that financial institutions began to diversify and form new companies operated under the same management. To curb the proliferation of companies, the Kenyan Central Bank stopped issuing licences and the companies were forced to form building societies which were outside the jurisdiction and control of the Central Bank, but fell primarily to the Registrar of Building Societies which is under the aegis of the Attorney General's Office (Gardener, et. al. 1988). Therefore the later increase in the number of building societies was not due to the desire to form any, but as a result of circumstance. Since they were set up because of the coffee boom, it is yet to be seen how they will fare in non boom years.

Of the building societies in Africa, those of Zimbabwe deserve closer attention not only because they are among the oldest in the continent, but because they are among the few that are successful. In Zimbabwe, building societies were started in 1948 and have survived through the trying times in that country to become a successful and effective housing finance institution. Of the combined total assets of the societies, the Central African Building Society has about 57.5%, while Berverly and Founders have 24.5% and 18.0% respectively.

By the Building Societies Act of 1965, the building societies in Zimbabwe were required to hold high reserves and liquidity ratios. However, they were not required to make advances above 75% of the value of the property except where collateral security acceptable to the minister in charge is produced. In addition, mortgage advances on non residential properties may not exceed 20% of the total sum of all mortgage advances on the property (Gardener, et. al. 1988). Although the three societies are linked together, by the Building Societies Association of Zimbabwe, there are two main factors that favoured their growth and development. Firstly, the government allowed the societies to issue tax free 9% per annum paid-up permanent shares from the existing 11.25% per annum paid-up permanent shares and fixed deposits to the new issue of funds from the Post Office Savings Bank tax free. This helped the societies to have money available for lending on mortgages and subsequently the cost of the money was significantly reduced. Secondly, they had held some fund in fixed deposits invested by the Reserve Bank of Zimbabwe to cushion the effects of withdrawal of funds by non residents for investment in government 4% bonds which they were compelled to do. However, by the end of the financial year ending June 1987, the societies repaid a substantial sum of the money to the Reserve Bank which subsequently lowered the percentage of the fund held by them in fixed deposits, and further gave them the opportunity to have more funds for lending. The building societies have not engaged in granting of loans to applicants who want to build in high density areas because the security of tenure is in the form of leasehold property and therefore the conditions of lease are by and large not acceptable as security for mortgage purposes. Furthermore the type of construction and high administrative costs for small advances add to the reason for the imposition of restrictions by the building societies. Although building societies are not existing in Nigeria, we shall examine whether the existing conventional institutions give the same reason for restricting mortgages in Chapters Eight and Nine below.

However, in order to meet the mortgage needs of all classes in the society, the building societies advance bulk loans to the government which in turn disburses and lends these monies to the local authorities to embark on high density housing programmes. This shows that building societies can overcome the problem of lending to the low-income group who have no security. They can also encourage building houses for sale to the low-income through this arrangement. In addition, by lending to the government, the building societies could be sure that such loans to the low-income group are secured. This further illustrates that private housing finance companies can cooperate with the government in providing housing finance to the less privileged.

In both the Caribbean and African countries, where building societies exist, their growth and development have to some extent been influenced by the Commonwealth Development Corporation. In Kenya and Zimbabwe especially, they have greatly influenced the development of housing finance, while in other countries where they are not well developed, like Botswana and Uganda, the major problem facing them is savings mobilization and lack of qualified staff. Their branch networks are not extensive, a feature which strengthens the operations of building societies. There is however much potential for their further development in most developing countries because of the existence of unconventional savings societies which could be the seed of future building societies.

3.6. Commercial banks

Commercial banks play an important part in housing finance in different parts of the world, although in most developing countries they are not as widespread as the savings and loans associations. This is especially true in Latin America. Among the Caribbean countries, they are prominent only in Jamaica, where they have dominated housing finance, taking up about 78% personal savings (Boleat, 1982). In almost all the countries of South-East Asia, commercial banks play key roles in housing finance, whereas in India, they are not directly involved in house financing. In countries such as Hong Kong, Thailand, Singapore, Malaysia, and South Korea, they are actively involved though the degree of their involvement varies from country to country. Since they are involved at different levels of housing finance in these countries, it is important to examine in greater detail their role, in Hong Kong for example, in order to help us assess their role in Nigeria later.

The success of Hong Kong's housing programme was due to the role and extent of involvement of commercial banks in the country. Hong Kong has an efficient three-tier bank structure which has not only aided the growth of housing finance but also that of the money market as a whole. There are a total of 155 licensed banks and over 350 deposit-taking institutions and finance companies. In addition, there are 146 representative offices of foreign banks (Wrangham 1987). Foremost among the banks that are actively involved in house financing is the Hong Kong Bank Group, which is presently the single largest provider of home mortgage loans in the country. For instance, in 1986, over HK$10 billion was used by the bank for mortgage loans (Wranghan, 1987).

The increase in demand for mortgages was due to a change in government policy. Hitherto the government had been the major landlord to over half of the country's 5.6 million people. It had embarked on a programme of constructing rental housing since 1953, and spent about one-third of the annual capital expenditure on public works, committed to a public housing programme. To this effect, about 2.2 million people live in Public Rental Housing (PRH) and about 0.2 million in Home Ownership Schemes (HOS), and the Private Sector Participation Schemes (PSPS)(Faruqi, 1987).

By 1983, there was a reversal in the general trend in house ownership. Before this time, most people were tenants because the government through the Hong Kong Housing Authority had been constructing houses for renting only. The change brought with it an emphasis on lending for home mortgage, such that the banks began competing with each other in offering better mortgage terms. The major banks, particularly, started offering new loan schemes so that it became very simple to obtain a mortgage loan. For instance, mortgage loans can be approved in a matter of hours with little or no collateral required. The Hong Kong Bank, for example, offers up to 90% of the cost price of a residential property, and in addition it offers a special interest rate of 0.25% below the normal mortgage rate being offered to existing customers. Furthermore, to encourage first time buyers, loans for furniture of up to 10% of the property value are offered by the bank. So effective are the commercial banks in housing finance, that of all the developing countries Hong Kong is the only country where there is a complete absence of unconventional institutions and building societies (Wrangham, 1987).

Unlike Hong Kong, the involvement of commercial banks in housing finance in the Philippines is comparatively small, although they have a large share of the country's housing market, when compared to the share of other institutions like insurance companies. They are also not comparable to commercial banks in Thailand where they control about 32% of the total deposits (Boleat, 1985; 1987a).

In some African countries like Egypt, Nigeria, and Zimbabwe, commercial banks are less directly involved in mortgage financing. Instead they are involved in savings mobilization through deposit taking. In Egypt for example, commercial banks play only a limited role in housing finance by granting loans to housing co-operatives which specialize in building houses mainly for the middle income groups, and not to individuals directly. In Zimbabwe, their roles are not as defined as in Egypt because of the influence of building societies which are more dominant in the housing market. In Nigeria commercial bank activities are mainly limited to funding housing corporations and their staff housing loans. Their roles are discussed in greater detail in Chapter Four below.

Although the commercial bank as a finance institution is widespread in most developing countries, their involvement in housing finance is very limited except as discussed above. Instead, they tend to concentrate more on deposit taking than on house financing that is apparently more lucrative, since there are more small depositors but fewer people who can provide acceptable collateral to meet the requirements for housing loans.

3.7. Insurance companies

The activities of insurance companies in housing finance are not as widespread as other institutions such as building societies, savings and loans and mortgage banks. However, insurance companies play a leading role in a few countries, notably India, in providing mortgage loans. There, they are the largest single provider of housing finance. The Life Insurance Company of India, in particular, is the largest single provider of funds for house ownership (Boleat, 1987). This contribution is not directly to individuals but by lending to secondary mortgage finance institutions like the Apex[1], which is directly involved in lending to individuals, they make their mark in house financing. In Sri Lanka and the Philippines, insurance companies are less extensive than in India. In Sri Lanka for instance, insurance companies financed about 15% of the mortgage loans in 1984, while in The Philippines, they were responsible for providing 8.9% of housing finance loans by the end of 1980 (Boleat, 1985). Although this is small compared to 27.45% and 11.1% by Private commercial banks and government commercial banks respectively, in the Philippines, they still make some useful contributions in a country where mortgage loans are not easy to come by. In addition, they are still expanding despite stiff competition for a greater portion of the housing finance market, from other housing finance institutions such as savings banks. The activities of insurance companies in housing finance in Nigeria is discussed below.

These institutions have made some contributions in the different countries where they exist, despite the fact that they are still few. It is, however, obvious from the review that they are more developed in the Latin American countries, the Caribbean, and in Hong Kong. In spite of their shortcomings, there is a move towards regional and inter regional co-operation in housing finance.

3.8. International organisations and co-operations

Housing finance by its nature is provided mostly on a national basis and not across national boundaries except by international organisations in the form of aid. There has been

[1]Apex is the name of the secondary finance institution in India.

attempts by international bodies to co-ordinate the efforts of different national institutions. For example, the International Union of Housing Finance Institutions has been in the vanguard in co-ordinating the efforts of existing financial institutions and encouraging the establishment and growth of others.

Other organisations that are also involved in inter-regional co-operation include Shelter Afrique, the Caribbean Association of Building Societies and Housing Finance Institutions; Inter-American Savings and Loans Union and the African Union of Building Societies and Housing Finance Institutions. Further discussions on their activities are found in Appendix L. It must be noted that the common aim of the societies include investigating the feasibility of a regional secondary mortgage market. Little has been achieved in this direction because of the lack of a unified currency and the existence of various laws and business practices in different countries. There are, however, other forms of co-operation such as in the sharing of technical assistance and collaboration by member organisations in staff training. How Nigeria can benefit from this kind of co-operation will be discussed when we examine the quality and quantity of staff, of her housing finance institutions in Chapter Four.

The institutions also organize conferences on housing and urban development aimed at making governments of developing countries, especially of Africa, that are not yet involved, aware of the need to develop housing finance. It is in this area, that the activities of Shelter Afrique is further examined below.

3.8.1. Shelter Afrique

The high rate of urbanization among many African countries is characterized by the growth of uncontrolled towns and cities with increased shortage in housing and other related urban services like water, access roads, electricity and waste disposal facilities. In the bid to halt this uncontrolled growth, which has become a major feature of many African townscapes, African countries rallied together to seek a solution. Based on the feasibility report prepared by the Commonwealth Development Corporation, Shelter Afrique was established in 1982.

It aimed at mobilizing capital which can be made available to national housing development institutions for approved schemes in member countries. Its other objectives included facilitating the investment of capital in housing and the establishment and development of viable institutions in African countries, as well as the building of a technical capacity which will ensure the soundness of the organisation's operations and to provide such a service to its member governments in particular and assist in the establishment of appropriate housing finance institutions in general.

Presently, there are 24 African government subscribers who are also its main shareholders together with African Development Bank, African Re-insurance Corporation and the Commonwealth Development Corporation. The share holders have provided most of the finances of the company, which is about US$40 million divided into 40,000 shares of US$1000 each. The shares are classified into "A" shares held by the 24 member African countries that make up about 50%, class "B" shares by the two Pan-African organisations equalling about 35% and class "C" shares by non African institutions like the Commonwealth Development Corporation and other legal entities the remaining 15% (Lufadeju, 1987). Shelter Afrique is presently constituted in the form of a chartered company incorporated under Kenyan law, to ensure that it will operate on business-like lines.

It has a governing body made up of 11 directors and 11 other alternate directors and a management team headed by a director and chief executive. The company has so far undertaken projects in 9 African countries at an estimated cost of US$20 million. It is financing 36.4% of the projects' estimates, while seeking for partners for its investments from governments, financial institutions and international agencies (Lufadeju, 1987).

However, it has been recognized that African countries have relied mostly on external sources of finance while paying little or no attention to internal mobilization of domestic savings. This situation has resulted in little development of reliable primary and secondary mortgage markets which could be a useful beginning in the development of viable housing finance systems. Also as the United Nations (1974, 1981) noted, in most African countries where housing finance institutions exist, they have not been useful channels through which mortgages could reach the low income group. It is therefore in this area that Shelter Afrique has come in to strengthen the existing systems as a major step towards domestic savings mobilization. In this regard, it has proposed to member governments to establish jointly with it and local entrepreneurs, housing finance institutions that will respond to housing finance requirements while at the same time seeking assistance from international organisations with the same aim.

3.9. Summary

This review shows that conventional housing finance institutions are better developed in Central and South American countries than in other developing countries. Other significant developments are found in the South East Asia countries, notably in Hong Kong, while African countries are still lagging behind. The growth and development of regional associations such as Shelter Afrique, will go a long way in creating the awareness necessary for the development of national institutions. There is still, however, the need to examine in some detail the developments or potentials that exist in each individual country if a useful housing finance system and associated institutions are to be established. This research will now examine the growth and development of conventional housing finance in Nigeria in Chapter Four in order to assess how far it has aided the provision of urban housing.

Chapter 4
Conventional housing finance in Nigeria

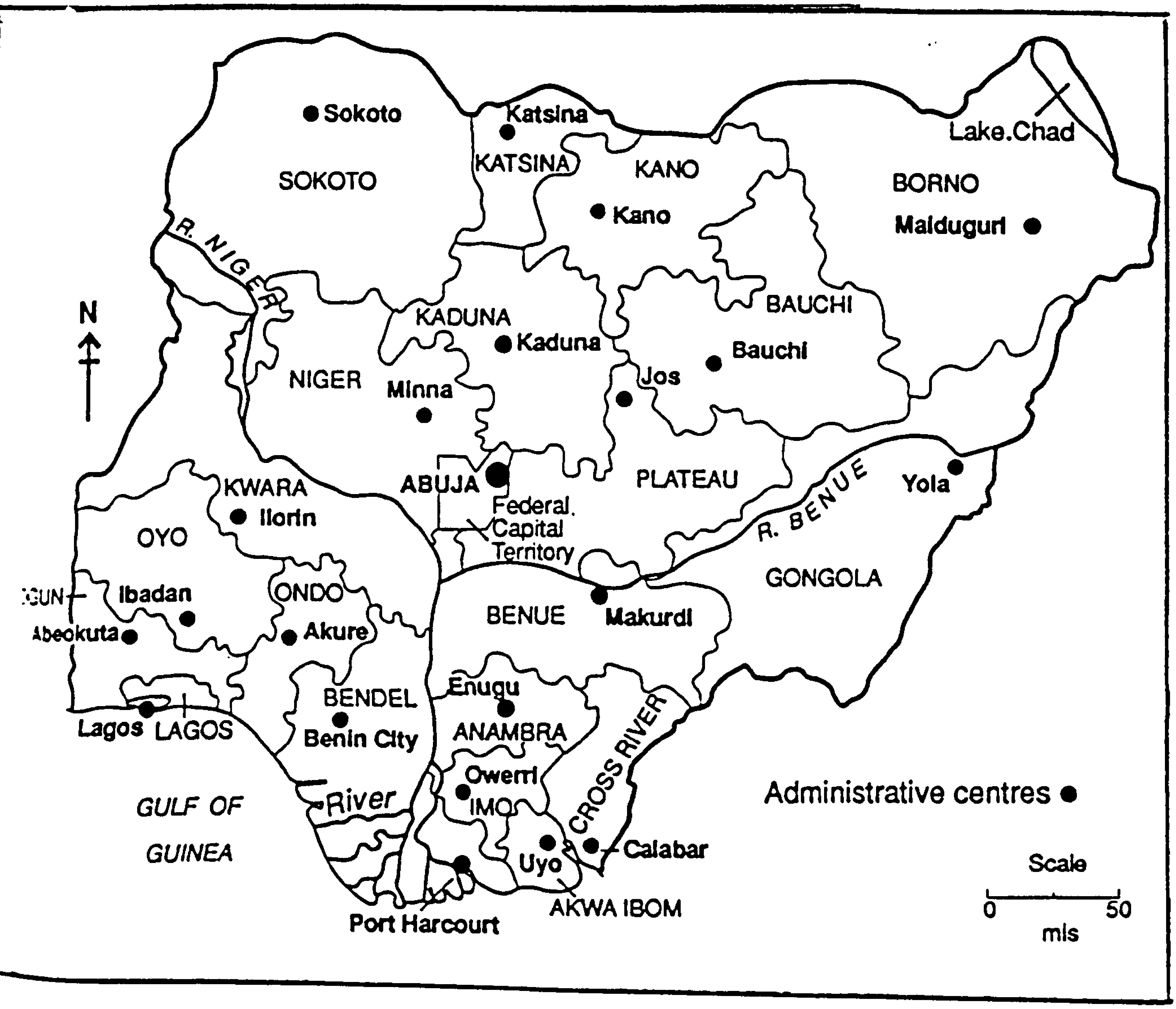
4.1. Introduction

This chapter discusses the roles and activities of housing finance institutions such as mortgage banks, savings banks, and insurance companies existing in Nigeria and, argues that compared to similar institutions discussed in sections 3.2 to 3.7 above, those in Nigeria are less involved in providing funds for housing. In addition, the chapter notes that some institutions like housing corporations, are not housing finance institutions per se, but merely implementing agencies of the governments' direct housing programme. The most important housing finance institution in Nigeria, is the Federal Mortgage Bank, which doubles as a secondary as well as a primary mortgage institution. Furthermore, the chapter examines critically the development of housing finance system and institutions in Nigeria and, reviews their performances, deficiencies and loan conditions. In particular, an attempt is made to identify practical difficulties encountered by non-wealthy households in obtaining mortgages in a fast growing urban environment.

In most developing countries urbanization is rapid and, furthermore, changes in the aggregation of housing can determine whether a settlement is regarded as an urban or rural centre. Nigeria with an estimated population of about 100 million people (World Bank, 1985), covering an area of about 923,768 square kilometres, is witnessing a particularly high rate of urbanization. For example, by 1965 only about 15% of the Nigerian population was urbanized, but by 1980 the proportion of urban population had doubled to 30%, with a corresponding annual growth rate of 4.8% between 1965 and 1980, and 5.2% between 1980 and 1985. Besides the increase in urban population, there were only 13 cities with 200,000 to 500,000 people in the country in 1960, and this increased to 17 by 1980. In addition, there were only 2 cities with a population of over 500,000 in 1960, and by 1980, there were 9 and the percentage of urban population in these cities also rose from 22% in 1960 to 58% by 1980 (World Bank Report, 1987).

Such is the rate of urbanization that housing for the urban residents became an important feature of all national development plans from 1975 to date. Although the government has made some serious efforts in providing urban housing directly to the people, the development of housing finance institutions has lagged behind. Figure 4.1 below, shows the major administrative centres in Nigeria following the 19 state administrative structure by 1985. Most of these new administrative centres grew as a result of rapid urbanization but unfortunately, the rate of provision of urban housing is much slower.

Figure 4.1: Nigeria showing 19 state administrative structure and capital cities.



4.1.1. Early developments

Since the early 1950's the colonial government's involvement in housing finance was limited to the supply of staff accommodation for its senior civil servants by direct construction and to the creation of the African Staff Housing Loan Scheme which was intended to enable deserving senior civil servants to have access to loans with which to build their own residential houses. For example, out of about 164 million (Nigerian) pounds, being the total national budget from 1955 to 1962, only 1.5 million (Nigerian) pounds or 0.9% was spent in the provision of staff accommodation (National Development Plan, 1975). (See also appendix E)

Another area of serious involvement of the colonial government was in the formation of the Nigerian Building Society, which was set up in 1956 by the colonial government through the Colonial Development Corporation (later Commonwealth Development Corporation) in conjunction with the Federal and the then Eastern Regional Government. It was started with an initial capital of 2.25 million naira with the express purpose of lending money for home ownership. The Colonial Development Corporation contributed 31% of the fund, while the Federal government and the Eastern Regional government contributed 9% and 60% respectively (Falegan, 1980). The Federal Government was therefore less committed than the Eastern Regional government in setting up this premier housing finance institution. At the onset, the Nigerian Building Society started with three different kinds of savings schemes namely "Popular","Target" and "Term" savings. These types of savings accounts are the same adopted by the Federal Mortgage Bank and are discussed in depth in Section 4.3.2 below. The saving schemes were at varying interest rates of between 4% and 6%. (National Housing Policy, 1985).

4.1.2. Public financing

Apart from this early effort in setting up a housing finance mechanism, little was done in the pre-and immediate post-independence development plans. In the first National Development Plan (1962-1968), housing was not even given a separate heading or vote, but was classified under Town and Country Planning (Koenigsberger, 1970). Within this plan period, out of a total budget of 2.2 billion naira[1], only 2.698 million naira or 0.014% was allocated for the construction of about 24,000 housing units. At the end of the plan period, only 2,500 units or 10.4% of the total was achieved. Funds were channelled directly from the public purse straight to the implementing agencies which were the then regional housing corporations and the then Lagos Executive Development Board. No proper housing finance system or institution other than the Nigerian Building Society was set up or initiated during this period especially at the intermediate level. Clearly, the basic foundation for institutional housing finance was not laid.

In the second National Development Plan period (1970-1974/5) housing was given a separate heading in the budget and not classified under Town and Country Planning as was the case in the first plan. During this plan period, however, 500 million naira or 16.62% of the budget was allocated for direct housing construction out of a total budget of 3.2 billion naira and targeted to 59,000 units of housing all of which were completed (National Housing Policy, 1980).

The third plan period (1975-1980) differed little from first and second plans except that the amount allocated for housing construction was increased. About 1.837 billion naira or 6.12% of the budget was allocated to housing out of a total budget of 30 billion naira. In addition, the "Employers Housing Schemes (special provision) Decree Number 54 of 1979" was promulgated which made it obligatory for every employer of labour to establish, execute and maintain a housing scheme for its employees. However within this plan period, the budget was later increased to 53 billion naira and consequently the amount allocated to housing increased to 2.5 billion or 4.7% of the budget. It could be noted here that even though the percentage allocated to housing fell from 16.62% in the second plan period, to 4.7% in the

[1]Nigeria changed her currency from pounds to naira in 1974

1975-1980 third plan period, more money was allocated to housing. Like the two previous plan periods, this amount was for direct construction of housing units for provision in the public sector. No attempt was made to initiate a national housing finance system or specialist housing finance institutions that would include not only the private sector but also all income groups. For example, no effort was made to start a meaningful savings scheme for the housing sector and the "Employers Housing Scheme (special provision) decree Number 54 of 1979" was not adhered to by any of the employers, who preferred granting rent rebates to their employees to establishing housing estates for them (National Housing Policy, 1985).

The Federal Housing Authority which was created in 1973, was just an implementing agency of Federal government policies and for the maintenance of uniform standards within the limits imposed by local conditions. Similarly, the creation of a separate unit in the cabinet office (the Federal Ministry of Housing, Urban Development and Environment) was only to help facilitate the implementation of the Federal government housing policies.

In addition, during the fourth National Development Plan Period (1980-1985), the government not only launched the National Housing Policy, but allocated a greater amount of money to the housing sector. A total of 2.7 billion naira was allocated to housing. A target of 200,000 units was earmarked out of which only 30,000 units have been completed and allocated for occupation to date, while 4,000 units are still under construction and 1 billion naira spent (National Housing Policy, 1991). The output, if compared to the amount of money spent, shows that there is generally a poor level of performance in the public sector. It further suggests that the policy of direct construction was not impressive. Also, if the money allocated to the housing sector is compared to that of other sectors, it would seem to confirm what Harvey (1977) noted, that finance for housing came to be regarded as the residual that is left over after basic government and corporate needs have been met. The governments' policy of direct housing supply seemed not to be effective as it failed to supply a significant percentage of the deficit in Nigerian urban housing need. It has been estimated that the total number of urban houses in Nigeria is about 2.9 million, at such Nigeria's urban housing needs are staggering. For example, according to a national field survey by Nigerian Institute of Social and Economic Research (NISER) carried out between 1983 and 1984, Nigerian urban housing needs were estimated at between 1.4 million and 1.7 million units in 1980; between 3.2 million and 3.7 million units between 1980 and 1990 and between 4.8 million and 5.9 million units by the year 2,000.

It is clearly impossible for this number to be supplied by the direct construction policy which has so far failed to meet the housing needs of the country in spite of the large sums expended. No country, however rich, has been able to provide housing for all members of its population by direct construction and Nigeria cannot be an exception.

Even when direct housing construction became an important party platform as in the 1979 to 1984 period, the programmes were simply over ambitious and strategies for implementation clearly inadequate. For example, apart from the fact that the design and finish of the houses were poor, most of them were constructed far out of town, especially in those states where the then ruling party was not in control. As a result, many people refused to occupy them without basic infrastructure like access roads, and services like water and electricity. Moreover, the majority of such low cost houses have never been completed as sites were often abandoned after millions of naira had been spent (See Appendix E).

Apart from fund allocation for direct housing construction, financial institutions such as secondary mortgage institutions were not set up through which the government could have implemented certain aspects of its housing programmes identified in the 1980 to 1985 development plan. The absence of secondary mortgage finance institutions had been recognized as an important gap in any meaningful housing policy in the country. Moreover the National Housing Policy launched in 1980 has as its third aim the promotion of secondary mortgage institutions throughout the country, but no action has been taken or moves initiated to achieve it so far. These shortcomings are better shown when the existing housing finance institutions in the country are examined in detail.

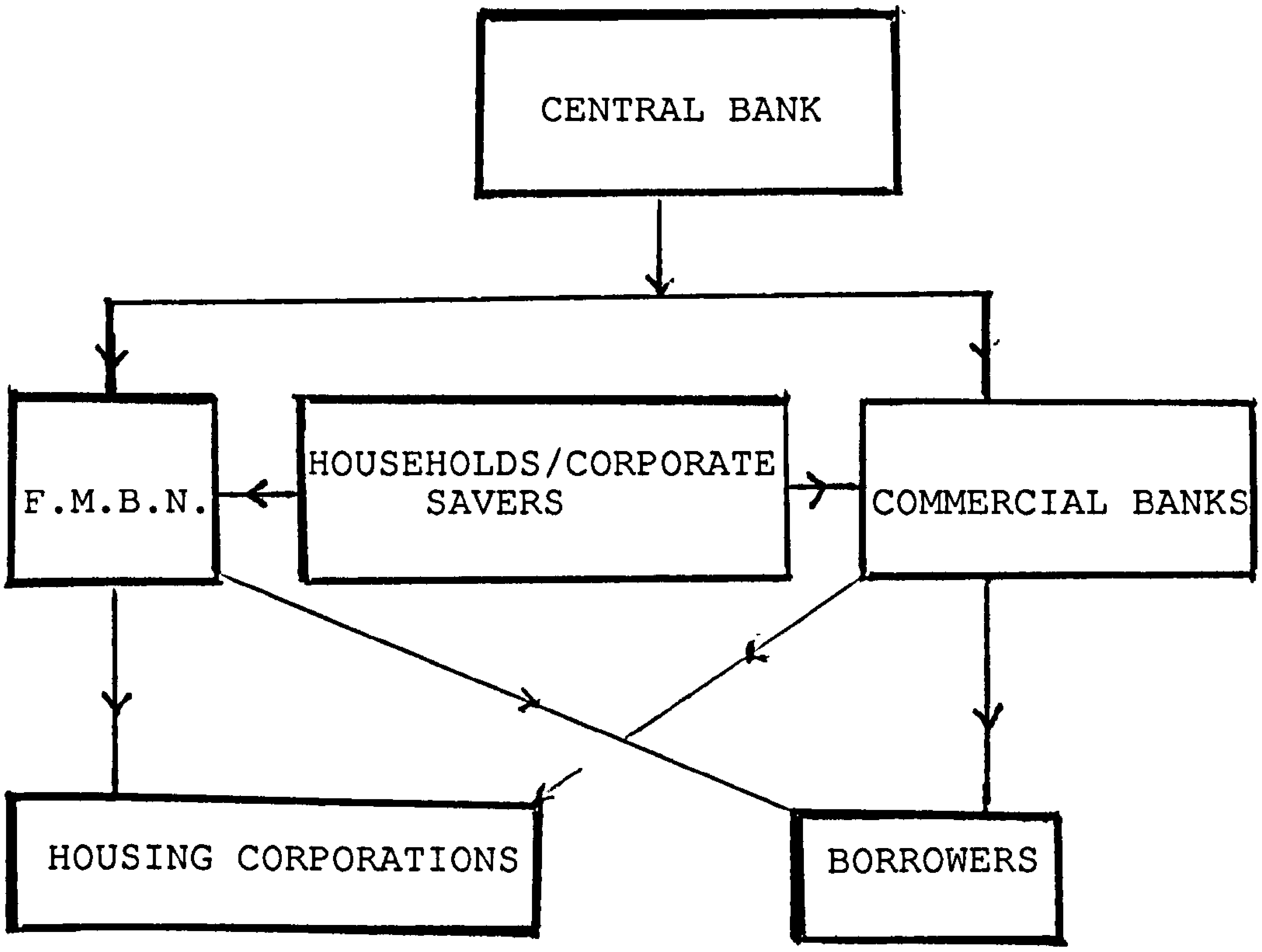
4.2. Conventional housing finance institutions

Housing finance institutions in Nigeria are made up of public sector institutions such as the Federal Mortgage Bank, the state housing corporations and the private sector institutions like the commercial banks. Figure 4.2 shows that the Central Bank of Nigeria, is at the apex of all housing finance institutions and controls all fiscal policies in the country. Public sector institutions include the Federal Mortgage Bank and the state housing corporations. The Federal Mortgage Bank is wholly owned by the federal government and it lends money to state housing corporations and to individual borrowers. The roles and activities of the Federal Mortgage Bank in providing funds for housing is further discussed in Section 4.3 below.

The housing corporations, on the other hand, are not financial institutions per se, but are the implementing agencies of the state government's housing programmes. Although they co-operate with the Federal Housing Authority in implementing the Federal Government's housing policies in the states where they exist, they are totally under the control of the different state governments. State housing corporations co-operate among themselves in areas such as the exchange of information, but their activities do not go beyond the state boundaries. They are either funded by the state governments and/or borrow from the commercial banks and the Federal Mortgage Bank. They do not build houses specifically for sale to the public, but for the state government which may sell to any target group or the public. The activities of private sector institutions such as commercial banks are regulated by the Central Bank of Nigeria. Commercial banks in particular fund housing corporations and individuals who are able to meet their loan requirements.

FIGURE 4.2:

Simplified conventional housing finance system in Nigeria.



Arrow shows the direction of flow of funds.

SOURCE: FIELDWORK, 1987

4.3. The Federal Mortgage Bank

The Federal Mortgage Bank was established in 1977 as a successor mortgage company following the dissolution of the Nigerian Building Society, whose assets and liabilities the Federal Mortgage Bank inherited. It is different from the mortgage banks of Trinidad and Tobago discussed in Section 3.4 above, because it combines the functions of secondary and primary financial institutions. It is also unlike the Colombian mortgage bank which was set up mainly as a part of the country's economic plan.

The Federal Mortgage Bank of Nigeria, is wholly owned by the Government of Nigeria and is managed by a Board of Directors appointed by the Federal Government. The board is responsible for the formulation and regulation of the operations of the bank. The Federal Mortgage Bank, apart from serving as the implementing agency of the Federal government's housing policy, has five main functions.

1. The bank was expected to provide long term credit facilities to mortgage institutions in the country at such rates and upon such terms as might be determined by the Board in accordance with the policy directed by the Federal government being rates and terms designed to enable the mortgage institution grant comparable facilities to Nigerian citizens desiring to acquire houses of their own.

2. It was also expected to encourage and promote the development of mortgage institutions at state and national levels.

3. Furthermore the Federal Mortgage Bank was expected to supervise and control the activities of mortgage institutions in Nigeria in accordance with such directives as might be given in that behalf by the Federal government.

4. In addition, the Federal Mortgage Bank was created to provide long term credit facilities directly to Nigerians at such rates and upon such terms as might be determined by the Board in accordance with the policy directed by the Federal government.

5. Finally it was expected to provide with the approval of the Minister in charge, at competitive commercial rates of interest, credit facilities to commercial property developers, estate developers, and developers of offices and other specialised types of buildings (Decree No. 7, 1977).

While the Federal Mortgage Bank provides long term credits, with amortisation periods extending up to 25 years, conditions expected to be met by prospective applicants seem to be such that only well-to-do households can fulfill them. Also, while it was expected at its inception to encourage and promote the development of other mortgage institutions at the state and national levels, this has not been done, since no other mortgage institution has been established. Regarding the deposits, the Federal Mortgage Bank was empowered to accept term deposits and savings from mortgage institutions, trust funds, the Post Office, and private individuals. The bank was also expected to promote the mobilization of savings from the public and to invest in companies engaged in the manufacture and production of building materials in the country, with a view to stabilizing the cost of such materials. Acceptance of deposits from the public does not guarantee that the saver will have access to housing finance, nor does it have a "save for house scheme" for those who wish to join such schemes. The only savings mobilization campaign was limited to advertisement through the radio, television and print media. This is not elaborate enough since it is only directed to those who have radio and televisions sets, or are literate and read the newspapers. Besides, it is only relevant to urban residents in those towns where the bank's branches exist. No effort was made either to use the post offices or to appoint independent agents to mobilize household savings for the housing sector. The bank was further expected to furnish financial advice, and provide or assist in the provision of managerial, technical and administrative services for companies engaged in the building materials industry or in building construction and development in the country and to guarantee loans made from the private investment sources for the building development.

With regard to influencing housing at all levels, the Federal Mortgage Bank was required to carry out research aimed at improving housing patterns and standards in both urban and rural areas. The bank was further expected to carry out research on mortgage finance activities and the construction industry in the country. There is no evidence yet to show that the Federal Mortgage Bank has funded any research on mortgage financing activities or the construction industry. Other functions included collaborating with reputable insurance companies to organize liquidity to mortgagors as well as afford them the opportunity of having liberal premium terms and to enter into any transactions which in its opinion would be necessary to ensure the proper performance of its functions. Despite all these laudable objectives, Nigeria is still a net importer of building materials and mortgages, when available, are out of the reach of non-wealthy households.

Regarding the primary lending function, mortgage loans provided by the Federal Mortgage Bank are normally secured by a mortgage over land or landed property. If the borrower fails to repay the loan as agreed, the security may be sold to recover the amount of loan outstanding. In special circumstances, the Federal Mortgage Bank may appoint a receiver who will take over and manage the property on behalf of the borrower. There are, however, eight outstanding conditions to be fulfilled by every applicant seeking for a loan.

Firstly, a loan applicant must be a Nigerian of at least 21 years old. The loan must be for either the construction or purchase of a residential house, development of property or for repairs or renovation of existing property. Every application must be accompanied by the architectural and engineering drawing for a proposed development and must have been approved by the town planning authority. On site, survey beacons demarcating the site of the subject property must be clearly identifiable or the address of the property must be well recognizable (Federal Mortgage Bank Information, 1980). In addition, the applicant must hold valid title to the land like the certificate of occupancy and the consent of the state government to the mortgage must be obtained. Every applicant must produce satisfactory evidence of income. For instance employed persons must show a recent pay slip with evidence of payment of tax, while self-employed persons are required to present tax assessments and receipts for three financial years immediately preceding the year of the application. The demand for documents such as the engineering drawings of the proposed buildings is quite a strong deterrent to non-wealthy households because it increases the cost of the application for the loan. Moreover, bureaucracy has in most cases frustrated applicants from obtaining the certificate of occupancy and the consent of the governor especially for 'non-indigenes' of the state or non-wealthy households. Besides, the demand for evidence of income seems to be a hindrance to self-employed applicants.

4.3.1. Application process and conditions for loans

Even the method of application is fraught with inconsistencies and conditions which make it difficult for non-wealthy households to benefit from the mortgage services of the bank. For example, while the tax clearance certificate and evidences of tax assessment are designed to ensure that the beneficiaries have been paying their taxes, the amount of money to be spent in providing them are so much that people in the low-income group may find it expensive. Moreover, these documents are not easily within the reach of most applicants even if they have paid all their taxes because of the bureaucracy involved in the processing.

The Federal Mortgage Bank operates three different types of loans namely social, economic and commercial loans. The economic and commercial loans are designed to meet the needs of companies and estate developers. On the other hand, the most relevant type of loan to the private builder is the social loan, which covers private residential owner-occupied units which cost up to 30,000 naira or houses and flats built by housing corporations for sale at not more than 30,000 naira per unit (Federal Mortgage Bank Information, 1980). Although this type of loan is assumed to be available to all private builders irrespective of class, in practice, its administration seem to discriminates against small savers or borrowers. For example, evidence during the field survey shows that the bank will prefer to deal with a single high income earner, who could borrow up to the maximum loanable fund, than many small borrowers who are classified as "high risk" for the same amount of money. It therefore seem to effectively exclude them from this conventional source of funds. Moreover, even if the income of the applicant is taken into consideration, the minimum amount loanable seem to exclude even those in middle income. This is because, the total of three annual salaries of, for instance, a middle income earner in Nigeria is still less than 30,000 naira.

The rate of interest chargeable on social loans for owner occupier residential houses built by housing corporations for sale is 6% per annum, but where the loan requirement is more than 30,000 naira and not above 65,000 naira, it is 7.5% per annum. Also a service charge of

0.25% of the amount of the loan or 250 naira, whichever is higher, is made. Besides these, the bank charges an inspection fee of 50 naira per inspection carried out on the building project or property. The repayment period for individual loans is 20 years with three months moratorium from the date of disbursement of the final instalment of the loan. Where the borrower is a housing corporation the repayment period is 10 years. However, the bank will only lend 90% of the price or of the valuation of the project, whichever is lower, and the applicant must contribute the balance before any disbursement is made by the bank. The service charges and costs of inspection, though necessary in off-setting administrative charges, increases the cost of the loan for the middle and low-income households. Furthermore, as the bank does not operate a "save for the house scheme", it is difficult for non-wealthy households to provide the 10% down payment before the disbursement of funds when the loan is approved.

Apart from these specifics, every applicant is expected to pay a statutory fee in respect of stamping and registration of the mortgage documents which further increases the cost of the loan. The bank will ensure a fast release of the loan in not more than three instalments, provided it is satisfied that the applicant had properly utilized previous instalments. Where development has already been completed, the loan may be released in one lump sum only after the bank's surveyors have certified that the applicant has contributed his personal stake. Furthermore, any interest accrued on previous stage payments must have been paid or deemed settled before a subsequent stage payment or final payment can be released (Federal Mortgage bank information, 1980). Even when the applicants have met all of these requirements, it seems that the bank do not release the funds at the appropriate times. For example, Table 4.1, shows that the Federal Mortgage Bank had in some cases, approved more loans than the funds it had. See further details in Appendix I(i-iii).

There are also legal requirements for all applicants seeking loans from the Federal Mortgage Bank. Applicants must ensure that they have good legal titles to the property they propose as security. Moreover the applicant must be the rightful owner of the property and the person in whom the property is currently vested and by whom it can be lawfully conveyed to the Federal Mortgage Bank without hindrance. Furthermore the applicant must ensure that the documents of the title submitted are the same as the Land Registry copy. They will also need to confirm that, according to the records in the Land Registry, the property is not listed under an existing mortgage or encumbrance of any kind and that the site plan is charted with the master plan such that there is no encroachment such as the land overlapping with another person's land. Although this was intended to eliminate fraud, it effectively excluded applicants from the suburban and rural areas where there are no master plans and they will have to pay for the high cost of surveying.

4.3.2. Types of savings

Every applicant is expected to have a savings account with the bank of a minimum balance of 500 naira at the time of application for a mortgage loan and must maintain regular monthly savings in any of the three types of savings namely: popular, target, and term savings.

The 'popular' account is the bank's most widely used account and offers an ideal way of saving large or small amounts at an interest of 6% per annum by 1980. In 1984 this interest rate was increased to 9.5%. Target savings, on the other hand, is designed for regular monthly savings for at least a period of four years. As an incentive to regular savings, it receives a higher rate of interest initially at about 6.5%, and later it was increased to 9.7%, which is more than the rate paid on popular savings. Unlike the popular savings if there is any need to make withdrawals before the end of the four years', the account will be closed, and the interest rate applying to popular savings is used in calculating the interest. If no withdrawals are made at the end of the four years period, interest earned will be added. The balance may then be transferred to another savings account or the money withdrawn.

Term savings account are especially designed for investors who require high returns on their investment and are prepared to leave their savings untouched for a specific period. A term of three years at an interest rate of 6.5% per annum may be chosen or a 5 year term at an interest rate of 7% per annum. Later, in 1984, the interest rates were raised to 10%. Under the term savings, the minimum investment is 200 naira and all investments are to be in multiples of 100 naira. Since there is a specifically fixed period of savings, money may be withdrawn from the account during the period chosen. It must be noted that the government controls interest rates such that they do not keep up with the rate of inflation in the country, because housing is regarded as a social service which should be subsidized. For example, in 1984, while interest rates were kept at 10%, the rate of inflation was calculated to be 15%. Also in 1989, when the rate of inflation was officially put at 35%, interest rates were fixed at 16%. There is, therefore, no relationship between the rate of inflation and the interest rate in the housing market.

4.3.3. Repayment of loans

The Federal Mortgage Bank requires the mortgagor to start the repayment of both the interest and capital at the same time, as in the annuity system of repayment. This period of repayment excludes the period of construction or of moratorium, when the bank accepts repayment of interest only. However, since the amount of interest varies directly with the amount of money loaned and the stage of payment, the mortgagor pays interest accordingly. After obtaining the final stage payment and the three months' moratorium period, the bank accepts the repayment of both capital and interest. Thus on receipt of the final stage of payment mortgagors get letters advising them of the amount of monthly repayments and the effective starting date of such repayments.

The Federal Mortgage Bank has had many teething problems in its 11 years of existence. Starting from the period of transition when it succeeded the Nigerian Building Society, there have been managerial and staff problems. A firm of consultants, Berenshot Moret Bosboom (B.M.B.) of Holland, signed a three year contract from July 1977 to June 1980 to re-organize and operate the bank. The firm was not adequately staffed and did not make any serious effort in training or involving local labour to help. Moreover the excessive involvement of the top management in the day-to-day operations of the bank, impaired the planning and future development of the bank. There was therefore the initial problem of defining the bank's role in housing finance in Nigeria. This resulted in the lack of properly defined priorities for the transition of the institution from a building society that specialised in mortgage administration to a mortgage bank that combined both mortgage administration and mortgage banking (Falegan, 1980). The Federal Mortgage Bank also faced enormous financial constraints in its formative years. This was partly due to the unrealistic interest rate structure of the bank.

The defunct Nigerian Building Society which the Federal Mortgage Bank succeeded was charging between 8.5% and 10% interest for its lending operations in 1975. By December of the same year, following the recommendation of an anti-inflation task force, set up by the Federal Government the bank's lending rate was reduced to 3%, while other financial institutions like commercial banks and insurance companies maintained the same rate of lending. Furthermore while the Federal Mortgage Bank repayment period was spread over 20 years, other financial institutions did not exceed 10 years. Therefore the lower lending rate and longer repayment period of the bank led to an influx of mortgage applicants. The number of applicants was so high that the bank received more applications than it could honour. For instance by September 1979, the total applications received had risen to 400 million naira. The banks' capital base had been increased from 20 million naira to 150 million naira in the same year but even at that, the new capital base proved inadequate relative to the bank's commitments. For example, in 1981 the Federal Mortgage Bank approved about 125 million naira out of 722 million naira worth of applications and from the approved sum, only 75 million was disbursed. In 1982 applications received amounted to 155 million naira, while 65 million naira was approved and only 51 million naira was actually disbursed. Again in 1983 applications increased to 184 million naira, and approvals were 88 million naira while disbursements amounted to 55 million naira. In 1984 total disbursements aggregated 12.6

million naira with owner-occupiers absorbing 11.1 million naira or 88.9 per cent while 1.4 million naira or 11.1 per cent of the total went to statutory corporations like the housing corporations. For 1985 available statistics show that no new mortgage loans were approved because of shortage of funds [see Appendix I(i - iii)]. The differences between the amount approved for loans and the actual amount disbursed shows that the bank's finances were not only inadequate, but not properly kept. Furthermore, it exposes the dearth of skilled manpower in its management since it could approve more money than it actually had. On the other hand, it exposes the dangers of political interference in the bank's financial management, since most of the beneficiaries were political proteges of the then ruling party. Besides, it reveals the dangers of relying heavily on the Federal Government for funds rather than self-accounting by generating its own funds through an appropriate savings mobilization scheme.

Internally, the bank's problems included lack of control in the area of assets management, cash flow, and accounting operations. These severely restricted the bank's ability to maintain sound financial equilibrium. Furthermore unregulated disbursement of funds affected the liquidity position of the bank adversely. For example, mortgage loans to the tune of 6.0 million naira were in arrears and the age of delinquent accounts averaged between one and five years (Falegan, 1980). This is because asset verifications were not being carried out by external auditors as scheduled. Many borrowers who defaulted in their repayments were not reprimanded nor were steps taken to recover the loan which affected the bank's cash flow. The bank's problems increased when it embarked on an expansion programme and established branches in all the 19 states of the Federation. Such establishments were probably politically motivated as no regard was paid to cost-benefit, availability of funds or availability and quality of existing staff. Whereas a typical mortgage bank will not have a substantial branch network but should work in conjunction with other deposit taking institutions (Boleat, 1985), the Federal Mortgage Bank established many branches and at the same time combined mortgage banking and deposit taking operations. One of the five main functions of the

Federal Mortgage Bank has been to encourage and promote the development of mortgage institutions at the state and national level, but this was not done. Rather, the bank concentrated on disbursing housing loans without adequate measures of mobilizing savings in the form of deposits.

Without adequate staffing and the glaring absence of a secondary financial institution, it failed to achieve its objectives. No effort was made in the expansion programme to reorganize the banks management structure in order to monitor and control branch operations. This resulted in referring all operational problems and decision making to the headquarters in Lagos. The state branches functionally became application form collecting centres. The managerial difficulties exposed the problem of having a single institution functioning as both a secondary and primary mortgage institution in a country as large as Nigeria.

The greatest problem that faced the bank was the problem of loan repayment. Some of the bank's borrowers did not repay their loans such that by May 1980, about 6.7 million naira was outstanding as debts against defaulters (Falegan, 1980). The reduction in funds from the Federal Government and the large debt owed to the bank by its defaulting customers meant that prospective applicants who were qualified for loans could not get any. Furthermore applicants who already had the approval for loans could not get money released to them. This affected the operations of the bank, resulting in a reorganization in an effort to make the bank more effective.

Due to the early difficulties in management co-ordination and in order to bring the bank's facilities closer to the client, the operations of the bank were decentralized in 1980. At first, seven and later in 1985, four Area Offices were created to co-ordinate the activities of the 19 branch offices.

The new area offices were at Enugu, Kaduna, Ibadan, and Bauchi. This move was to enhance co-ordination and efficient management. The bank was also allowed to charge interest rates of up to 17%, and to be self-financing. This new interest rate was lower than the 20% the commercial banks charge, but was still high enough to scare low-income earners away from the bank. This was done to reduce dependency on the public purse, especially as the bank did not receive capital funds from the Federal Government between 1983 and 1985 due to the Government's dwindling resources. The bank's area offices were also been given some form of autonomy and could approve loans totalling 100,000 naira monthly without reference to Lagos Head Office. Moreover, they can now undertake savings mobilization and loan recovery drives in their areas of jurisdiction. This has helped increase savings with the bank from 14.016 million naira to 19.875 million naira for the popular savings, 2.520 million naira to 3.209 million naira for target savings and from 2.422 million naira to 3.079 million naira for term savings from March to the end of May 1980 (See appendix F).

Even after re-organization, the Federal Mortgage Bank is still not accessible to the majority of the people. The loan requirements, it seems, are not simple enough for those with low incomes to meet or comprehend. As an apex housing institution in the country, it is supposed to link up with other mortgage institutions like commercial banks, building societies (when established), and housing corporations. The bank has, however, concentrated its operations on social loans, which account for about 90% of its total loan portfolio while wholesale lending to housing corporations and estate developers constituted only 10%. A national housing policy (1991) review of its practices showed that the Federal Mortgage Bank's lending practises do not seem to favour low income households. The report noted that 93% of loans granted to individual mortgagors has gone to middle and upper income households. Thus, in effect, the objective of assisting low income groups to own a house through subsidized mortgage loans has not been realized.

Given the absence of primary mortgage institutions and greater competitions from commercial banks for private savings, the Federal Mortgage Bank of Nigeria has been unable to mobilize adequate funds for the housing sector. Apart from the equity capital of 150 million naira the bank's major source of funds has been loans from the Federal Government and the Central Bank of Nigeria. For example, loans from the Central Bank of Nigeria to the Federal Mortgage Bank between 1979 to 1980 totalled 25.7 million naira. On the other hand, savings from depositors rose from 21.4 million naira in 1979 to 131.2 million naira in 1986. Yet funds from these sources still proved inadequate to meet the increased demand for mortgages from the bank. For example, Table 4.1 shows that between 1979 and 1986, the demand for loans far out-stripped the available funds in the bank.

TABLE 4.1:Federal Mortgage Bank of Nigeria: mortgage loan applications and funds available

YEAR	Outstanding Applications For Funds (₦ Millions)	Available Funds (₦ Millions)
1979	223.8	127.0
1980	350.9	239.5
1981	584.5	193.5
1982	676.8	153.0
1983	535.0	154.5
1984	318.6	109.8
1985	373.7	95.9
1986	465.8	105.3
TOTAL	3,529.1	1,178.5

SOURCE: National Housing Policy, 1991.

It is clear from the above figures that other sources of funds must be found if housing finance is to be within the reach of all those who may need it in the country. The pity is that after 14 years' of existence (1977 to 1991) the Federal Mortgage Bank has served only a paltry 8,874 Nigerians (National Housing Policy, 1991). Moreover, a decade after its establishment, no other housing finance institution has been started in the country apart from state housing corporations, insurance companies, and commercial banks which are examined below.

4.4. Housing corporations

Housing corporations were introduced in Nigeria immediately after independence, during the first National Development plan of 1962-1968, in the then three regions[2] and Lagos in order to tackle the problem of urban housing in Nigeria. They were empowered to acquire land and develop and manage housing estates. The housing corporations were also to be allowed to make loans available for people to build their own houses thus functioning like mortgage companies. The four housing corporations of Western, Eastern, Northern and the Lagos Executive Development Board were started with a capital of 9 million naira, 4 million naira, 2 million naira and 30.056 million naira respectively. In effect, the housing corporations were expected to carry out a wide range of assignment without due reference to manpower availability, and qualification. For example, although they were expected to function as mortgage companies, in reality, they never did because they were not structured to function as such.

With the creation of the 19 state political structure in 1976, there are now in existence 19 state housing corporations in the country. Although varying terminologies like Housing Authority, Corporations, Development, and Property Corporations have been used by different states, they all perform the same function and shall herein be referred to as housing corporations[3]. Most housing corporations in Nigeria are, expected to operate like typical mortgage companies as well as managing housing estates, but they have concentrated on building houses on behalf of the government for direct sale to the public on a cash payment basis. Also by building houses for state governments which are sold to mostly high income

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[2]Eastern, Western, and Northern regions

[3]See Appendix G for full list of state housing corporations in Nigeria.

households, they have developed a clientele of mortgagors and charge a minimum interest rate of between 3% and 8%, depending on the time span and the characteristics and circumstances of each corporation. The loan period ranges from 10 to 20 years rather than the usual 25 years. It seems their terms and periods of repayment are therefore suitable to mostly high income households (Federal mortgage Bank Information, 1980).

4.4.1. Source of funding

Each of the state housing corporations receives a subvention from the state government or borrows from either the Federal Mortgage Bank or commercial banks. The Federal Mortgage Bank has well-established rules for state housing corporations who wish to borrow from it. For instance a state housing corporation could obtain two types of loans for housing development from the Federal Mortgage Bank.

- Firstly there are loans for specific estate development projects embracing residential, industrial, and infrastructural facilities.
- Secondly there are relief loans to state housing corporations on behalf of individuals who purchased the corporation's property.

To be eligible for loans for specific estate development project, a state housing corporation is expected to submit a proposal which should contain a feasibility and viability report in respect of the proposed project. It must also submit to the Federal Mortgage Bank, the approved layout plan of the estate and an architectural drawing in respect of the various housing units in the proposed estate. It must take great pains to include the estimated cost of development apart from detailed description of the estate, (as advised by a chartered Quantity Surveyor) cost of professional services, the incidence of interest on the capital and the cost of infrastructural services. These documents are necessary because they will enable the Federal Mortgage Bank to inspect the property in order to justify the loan. Moreover, the inclusion of estimated costs will ensure that more money was not given to the corporation, than was necessary.

The report to be submitted by the housing corporation is also expected to indicate the selling price of the various housing units relevant to the trends in property market in the locality. Other requirements include an analysis of the anticipated cash flow which will indicate the extent to which the proceeds from the sale will service the loan required. Apart from the report bearing the names of qualified estate surveyors or valuers, such persons must be prepared to sign the documents submitted with their professional status by which they shall be regarded as documents of legal consequences. These will help the Federal Mortgage Bank to monitor house prices and to ensure that their quality is high for the amount of loan given. Conversely, the high cost of professional fees, which is eventually added to the total cost of the house, places it beyond the reach of any households rather than the wealthiest. A state housing corporation applying for a specific estate development project loan from the Federal Mortgage Bank is expected to obtain a written guarantee from the state government for every loan to be obtained. It must also show the law or legal authority for the housing corporation to borrow the amount of the loan applied for and the corporation's right to transfer the title to purchasers, which includes consents to transfer.

To be able to obtain a relief loan on behalf of individual purchasers of the Corporation's property, a state housing corporation must submit with such applications, an approved layout plan of the estate with the plot numbers clearly indicated. This shows that the application is not only authentic but will enable the lender - the Federal Mortgage Bank - to repossess the property in case of default (Federal Mortgage Bank Information, 1980). Moreover, the documents must also show the selling price of each type of housing unit, list of allotees, their residential address and nationality. Other documents to be submitted include the specimen deed of lease, the certificate of occupancy to be duly stamped in the name of the allottee, the consent to mortgage issued by or on behalf of the appropriate authorities and a guarantee of the state housing corporation in regarding the loan as to itself and repayable by it until relevant mortgage deeds are satisfactorily completed (Federal Mortgage Bank Information, 1980). The activities of the housing corporations are therefore concentrated on building and managing housing estates rather than functioning as mortgage institutions since they never give direct loans to applicants or engage in any savings mobilization for the housing sector.

Available statistics show that by July 1980, loan applications from all the state housing corporations in Nigeria to the Federal Mortgage Bank amounted to 117.7 million naira, out of which 13.200 million naira was approved and 12.634 million naira actually disbursed[4]. A proper analysis of the capital problems of the housing corporations has not been possible due to lack of data. It must, however, be noted that since all the housing corporations are dependent on subventions from the state governments and borrowing from either commercial banks or the Federal Mortgage Bank, their functions are largely restricted by the availability of funds from these sources. They are thus mainly the implementing agencies of the state governments and not mortgage institutions. In addition, since they do not undertake any savings mobilization programmes, scarcity of funds means that access to what is available is limited to households who can afford to buy the houses built by any of the corporations. Moreover, since they are under the direct control of each of the state government, their functions are largely controlled by the state for the state. Housing corporations are, however, different from staff housing loan scheme that lends money to civil servants to build or buy their own houses.

4.5. Staff housing loan scheme

In the late 1950's the African Housing Scheme was set up by the colonial government. Later by the early 1960's, there was an increased but limited intervention by the government in the provision of housing. This took the form of the development of a few middle class housing estates, through the then regional housing corporations and the introduction for the first time of mortgage lending through the now defunct Nigerian Building Society (Falegan,

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[4]Appendix H shows the breakdown of the amount applied for by each state housing corporation, amount approved by the Board of the Federal Mortgage Bank and the actual amount disbursed per state.

1980). In addition, the Staff Housing Loan Scheme, designed to promote owner occupation among civil servants was introduced. The Staff Housing Loan Scheme did not make any meaningful contribution to the development of housing finance until May 1972 when the Federal Government Staff Housing Board was established to take over the functions of the African Housing Scheme.

The Staff Housing Board was given powers to grant to eligible members of the public service loans amounting to five times the applicant's annual salary, or 20,000 naira whichever was less (National Housing Policy, 1980). This amount has since been increased to 40,000 naira with a further request for increasing it to 60,000 naira. The board also approved an average loan per person on grade level ten and above of 40,000 naira and for those between grade levels seven and nine, 30,000 naira. The criterion used in limiting the amount of the loan according to grade is certainly not economic, but rather technocratic and apolitical. As Saunders (1986) pointed out, the decisions of urban managers and in this case policy makers seem to depend on their own values and interests. It cannot be said in this case that the main priority of the policy makers is in maintaining sound financial equilibrium since the Staff Housing Board is not an established financial institution, but rather gives direct loans from the government. In addition, it has the lowest interest rate of about 3% spread over 25 years and as such should have been more suitable for those in the middle and low-income groups who could least afford the higher interest rates prevailing in other financial institutions.

Since setting up the board in 1972, it has served only about 5,202 civil servants between then and 1986, a period of 12 years. Within this period, it has dispensed 127.037 million naira as shown by Table 4.2 below.

Table 4.2
Summary of staff housing loans approved: 1974-1986

YEAR	NO. OF BENEFICIARIES	AMOUNT EXPENDED
1974	211	3,148,641.52
1975	512	6,308,857.31
1976	347	6,498,488.40
1977	227	4,458,007.16
1978	223	5,608,666.32
1979	335	9,781,853.89
1980	364	10,459,476.45
1981	459	12,885,811.36
1982	549	14,520,998.02
1983	610	16,328,234.50
1984	322	7,293,129.41
1985	388	11,398,114.99
1986	645	18,347,675.70
TOTAL	5,202	127,037,953.06

SOURCE: FEDERAL MINISTRY OF WORKS AND HOUSING FIELDWORK, 1987

While the scheme looks attractive it is only focused on the senior civil servants who are in the high income level and are better placed to utilize the existing conventional housing finance system. For example, only senior officers from level seven and above are eligible to apply. Its performance after 12 years cannot be said to be encouraging given the number of beneficiaries. In addition, the amount of money loaned out in comparison to the number of recipients seem to show that it is only top civil servants that were able to obtain the loan since approval depends on seniority. Moreover, being a direct loan from the treasury, its effectiveness depends on funds it is allocated from the national budget. As can be seen from Table 4.2, the amount allocated from year to year is dependent on the availability of funds from the treasury and the political decision of the officials who are the ultimate beneficiaries. Thus civil servants in the middle and low-income groups who have neither influence nor access to other forms of loan are effectively excluded.

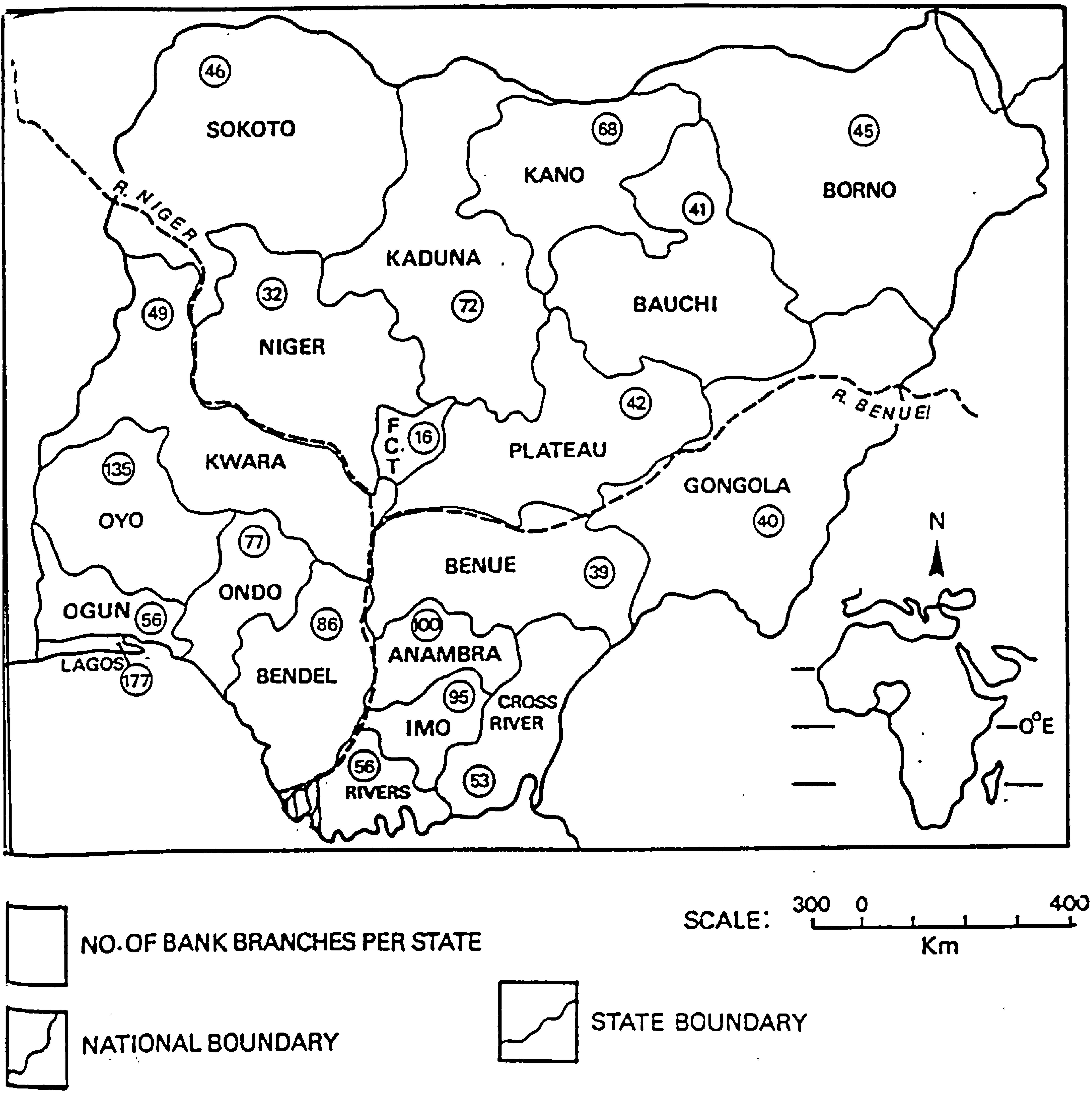
While the idea of direct grants from the government for housing purchase or construction looks attractive, the board is neither a specialist or functional housing finance institution. As a part of the civil service it is tied to the public service bureaucracy. Apart from handing out loans to approved applicants, no attempt has so far been made to turn this system into a revolving loan scheme for all civil servants. Again judging from the 5,202 civil servants served out of almost half a million qualified civil servants within its twelve years of existence, the system can be said to be ineffective.

Although the aim of direct housing loans to qualified civil servants may be a step in the right direction, the absence of any specialised housing finance institution in the administration of the fund can be seen as related partly to the underdeveloped nature of the housing finance system in Nigeria. Although some countries like Brazil have established special housing loan schemes for their civil servants, they did this through appropriate housing financing institutions (Bately, 1983). It is therefore not surprising that the scheme has not had the expected impact. Moreover, it illustrates the serious consequences of not developing other primary mortgage institutions in the country. A primary mortgage institution like a savings bank for example would have been better placed to turn the fund into a revolving loan scheme and at the same time mobilize personal savings and grant access to qualified applicants irrespective of their class and status in the society.

4.6. Savings/Commercial banks

Savings banks in countries such as Brazil, Colombia and Bolivia, discussed in Sections 3.3 above are effective vehicles of mobilization and distribution of housing finance. They differ from those existing in Nigeria which are not exclusively housing finance institutions. According to the Central Bank of Nigeria report of September 1986, there were 26 commercial banks in the country, with a combined total of 1317 branches spread all over the country (See Figure 4.3). By 1987 the number had increased to about 40 commercial banks and 14 merchant banks (Ademola, 1987).

Figure 4.3: Distribution of commercial bank branches in Nigeria.



SOURCE: Central Bank of Nigeria - Fieldwork 1987.

Utim (1987) showed with available statistics that on the national level, there is an average of one bank branch per 74,000 persons in the country. This is far in excess of figures from other developing countries like India, where at least one bank branch is projected to serve at least 40,000 persons. This contrasts with the situation in developed countries like the United States of America and the United Kingdom where the number of persons projected to be served per bank branch is much less than those of the developing countries. Table 4.3 below illustrates the differences in the number of bank branches per population between Nigeria and some selected countries.

Table 4.3:

Population by bank branches in Nigeria and other countries.

Country	Bank branch	Banking population.
Nigeria	1	74,000
[ENUGU]	1	77,057
India	1	40,000
United States of America	1	6,000
United Kingdom	1	4,000

Source: Utim. (1987)
Quaterly Journal of
Allied Bank of Nigeria Limited.

The above table shows that there are more people being served per bank branch in Nigeria than for instance India. From the table, it can also be seen that if the national population to be served by the available commercial banks is evenly spread out and divided to transact banking business in a day for five working days in a week, about 14,800 people will be crowding into every bank branch available daily. Given the available facilities and trained personnel in Nigerian banks, it is very difficult if not impossible to attend to such a number of people in a day, in a particular bank branch. In fact commercial banks seem to undertake services that are more convenient, profitable and less risky like deposit taking (Jato, 1991) in preference to mortgage financing and all the risks associated with loan recovery.

Moreover, Elegalam (1978) estimated that simple transactions like depositing and withdrawals at commercial banks in Nigeria take about two hours. This is an average of eight to ten times longer than it takes in the United States of America, the United Kingdom or West Germany. The slowness in banking transaction is the result of the inadequacies of the existing banking facilities and lack of trained personnel. Such inadequacies may have adversely affected other services like mortgage financing. Consequently, commercial banks seem not to have taken much real interest in mortgage financing, hence their slackness in granting mortgage loans.

In an effort to restructure her economy, the Nigerian government introduced the Second-Tier Foreign Exchange Market (SFEM) resulting in most commercial banks abandoning altogether housing financing activities in favour of the more lucrative foreign exchange transactions (Pini, 1991). Therefore commercial banks in Nigeria, like those in Enugu are not strongly involved in housing finance. It seems that when they do, they concentrate on people in the high income group who are considered less risky and likely to meet their loan requirements.

In addition, since the existing bank branches are inadequate for the banking population, there is little or no competition among them for customers. The banks in fact choose services that suit them in the terms of the time and effort involved and profits yielded and seem to take little interest in the risky business of house financing. As a result, it can be argued that loan conditions are set to discourage and eliminate as many people as possible from borrowing while the banks concentrate on the more lucrative deposit taking and foreign exchange transactions.

However, the involvement of commercial banks in housing finance in Nigeria is subject to the credit guidelines issued by the Central Bank of Nigeria. They are required to lend not less than 7% of their loanable funds in a year for housing development (Central Bank Report, 1986c). By tradition and practice, these banks are not structured to deal with mortgage financing, hence the allocation of such loanable fund for housing is often in favour of housing corporations and other companies engaged in the development of housing estates, industrial, commercial and office blocks. Individual loans are therefore few as they have the shortest maximum period of amortisation of ten years in the country.

Due to intense activity in deposit taking, one would have expected them to introduce some form of housing finance that is open to the public. This is not the case except for the United Bank for Africa that introduced a housing loan scheme for the public. Most of the commercial banks it seems give out their loanable fund under their Staff Housing Loan Scheme and to those borrowers who are able to meet their loan requirements. The Bank's Staff Housing Loan Scheme is a scheme through which a particular bank gives housing loan to its staff which they recover through the "check-off" system. The check-off system is the method through which the employer (in this case the bank) deduct at source the monthly repayments of any loan given to its employee. At present the commercial banks charge 20% interest on mortgages and do not generally like to give loans for residential houses. As such, the high interest rate coupled with the scarcity of funds increases the difficulties for prospective borrowers especially those in the middle and low-income groups.

The banks are, however, faced with constraints imposed by the maturity structure of their deposits, which are largely short term. In other words, commercial banks are expected to give long term mortgage loans with predominantly short term deposits. In addition, there is the problem of differential interest rates for the housing sector as compared with other sectors such as commerce and industry. As a result, the participation of commercial banks in housing finance have been limited. This notwithstanding, the United Bank for Africa, has embarked on a 'save for house' scheme which is discussed below.

4.6.1. The United Bank for Africa loan scheme

The United Bank for Africa so far is the only commercial bank in the country that has taken a bold step in initiating a home saving and loan account scheme. This requires the participating saver to save regularly to qualify for the bank's housing loan[5]. A prospective applicant is expected to open a 'House Saving and Loan' account which can be allowed to run concurrently with any other type of account in the bank.

In general, within the saving period there may be no withdrawals. If, however, the need arises, withdrawals may be made only once per quarter but subject to a maximum of 30% of the outstanding balance. Otherwise, the saver may not qualify for a loan under the scheme. A minimum of 25 naira may be saved each month towards the cost of the house and every saver will save for no less than 24 months to qualify for the housing loan. The house savings and loans account will earn the current interest rate as an ordinary savings account in accordance with the financial policy laid down by the Central Bank of Nigeria. An interest rate premium or bonus of 0.25% above the ordinary savings rate will be paid to savers if they have to wait for the loan after qualifying.

At the end of the saving period or if a saver has saved up about 25% of the cost of the desired house after 2 years or a longer period, he or she will be entitled to apply for a loan of up to 4 times the amount saved including the interests earned, and up to a maximum of 80,000 naira. Table 4.4 below shows the monthly savings and the corresponding amount a saver in the scheme is expected to save in order to qualify for the loan.

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[5]qualification does not imply automatic access to loan.

Table 4.4: United Bank for Africa's house saving and loan scheme: saving and loans table.

PERIOD			AMOUNT OF LOANS DESIRED								
YEARS	MONTHS		80,000	70,000	60,000	50,000	40,000	30,000	20,000	10,000	5,000
		TOTAL SAVINGS REQUIRED	20,000	17,500	15,000	12,500	10,000	7,500	5,000	2,500	1,250
2	24	Monthly Savings	833.30	708.30	625.00	520.80	416.60	312.50	208.30	104.20	52.00
3	36	Monthly Savings	555.50	486.10	416.60	347.20	277.70	208.30	138.80	69.40	34.70
4	48	Monthly Savings	416.60	364.50	312.50	260.40	208.30	156.20	104.10	52.10	26.00
5	60	Monthly Savings	333.30	291.60	250.00	208.30	166.60	125.00	83.30	41.60	25.00
8	96	Monthly Savings	208.30	182.20	156.20	130.20	104.10	78.10	52.00	26.00	25.00
10	120	Monthly Savings	166.60	145.80	125.00	104.10	83.30	62.50	41.60	25.00	25.00

SOURCE: Guidelines and conditions, 1987.

The ability to get the maximum amount will depend on regularity of monthly savings, availability of funds and the prevailing Central Bank of Nigeria credit guidelines. The amount the saver may borrow will depend on the valuation cost of the property and their ability as borrowers to meet their repayments. The interest to be charged and repayment period will be in accordance with the Central Bank of Nigeria's interest rate policy and guidelines on residential housing. In addition survey costs, stamping, registration of the title fees and other legal costs shall be borne separately by the borrower. The scheme is not intended to cover the cost of land and savers are expected to purchase land with their own funds and put the loan fully to house building, purchase or improvement. The bank can only give borrowers loans to cover the cost of land provided they have been saving for at least six months. Such a loan will be granted at the on-going commercial interest rate with a maximum repayment period of two years.

The United Bank for Africa's scheme is not different from the contractual system currently existing in a number of countries like Western Germany and France. It differs, however, in that after the saving period is over, access to housing loans is determined by the ability to repay, not to save. In this case, it seems, that small savers and non wealthy households are restricted. As Boleat (1985, 1987) pointed out, the essence of any contractual system is that regular savings are made over a period of years and receive an interest rate below the market level. Such savings should entitle the saver to a housing loan. This system should be very useful and advantageous to Nigeria with a large renting sector where people purchase or build their houses at a relatively late age. Another difference however with the West German system is that while the latter is supported by the government which offers a bonus to savers which makes it very attractive, and the former is not. Hence the scheme is operated at commercial rates, which limits the number of savers. Moreover since it is not used in tandem with any other system, it may be argued that its conditions are fairly difficult for the ordinary people especially in the low-income group. For instance, a saver has to purchase the land needed from other sources, and not from the loan. Even if granted a loan to purchase land, the repayment period of 2 years is likely to be rather too short and therefore very discouraging. The cost of urban land despite the land Use Decree of 1978 is still very high in Nigeria and there is no automatic guarantee that one can purchase a plot even if the money is available.

This form of contractual system is different from the ones in existence in other developing countries like Brazil, Mexico or the Philippines where social security funds are lent to civil servants, for housing purchase and construction. Besides, the United Bank for Africa is a single independent institution, not a wholly specialist housing finance institution and the nature of the contractual savings system is such that independent institutions are unlikely to be very effective. This is because they need the co-operation of other financial institutions in order to be efficient. For example the Bausparkessen in West Germany, discussed in Section 2.4.4 above, are largely owned by regional organizations of saving banks which includes large deposit taking banks, hence their success.

The United Bank for Africa's House Saving and Loan Scheme is a useful beginning although it is more likely to serve the high income group than the low-income group. It is not automatic that any saver at the end of the saving period will be granted a loan. Also, since the loan does not include the cost of land, members of the low-income group are unlikely to be attracted. In addition, the legal requirements which involve more spending in terms of legal fees, quantity and land surveyors fees, will be very demanding on them. Furthermore, since the scheme will not grant a loan for land outside the urban area, it is not likely attract non-urban residents who may be potential depositors or in need of housing loan. Moreover, since the United Bank for Africa in particular has only 136 branches all over the country, it therefore has a limited scope in attracting a large number of depositors in order to accumulate enough capital from deposits for mortgage lending.

Apart from initiating a savings scheme, this bank does not help the prospective saver obtain other services relating to surveying, cost of stamping and registration of the land. Such costs which are expected to be borne by savers are likely to be too much for them to meet from their purse and therefore form a potential barrier to small savers. Since such documents are a prerequisite for the granting of the loan, prospective savers may not be attracted. Moreover an overview of the savings scheme shows that the target population is the upper and middle income groups. For example, from Table 4.4, it can be seen that low-income earners at an annual salary of 1,500 naira or 125 naira per month will be required to save at least 33.35% of their salary monthly in order to qualify for a loan of 20,000 naira. It will therefore be very difficult for them to meet their other needs including paying for at least a single room's rent of between 25 naira and 30 naira from the balance of 83.40 naira or 66.72% of their salary. There is, however, the need to examine how far other institutions like insurance companies are involved in providing housing finance.

4.7. Insurance companies

The importance of insurance companies in housing finance cannot be over emphasized, since they attract savings as premiums on insurance contracts and by their nature these premiums are long term savings (Meyerson, 1962). This long term nature of the savings marks a great difference between the insurance companies and savings banks. In countries with well developed secondary housing markets like the United States of America, insurance companies are important contributors to housing finance. For example since 1970, their role in housing finance has grown to such an extent that by 1981 they accounted for about 35% of the housing market in the United States of America (Boleat, 1985). Also in India the Life Insurance Company of India is the foremost housing finance institution accounting for about 50% of institutional house finance in the country.

In Africa although insurance companies accumulated resources for housing finance throughout 1960's, they have not been actively involved in housing finance. As the United Nations (1974) survey revealed, insurance companies in Africa are not involved in housing finance whether for the upper or middle income households. In Nigeria, there were a total of 79 insurance companies in 1982, but between 1983 and 1984, this number had increased to 85 and then 87. The combined assets of insurance companies in mortgage and loan portfolios by 1982 was 217.587 million naira or 19.1% of their total assets. By 1983 this had decreased to 204.615 million naira or 18.5% of their total assets and further 197.919 million naira or 14.8% by 1984 (Central Bank of Nigeria Report, 1986b).

This showed a steady decrease in investment from 1982 to 1984. In comparison however, within the same period (1982 to 1984), the percentage distribution of insurance investment portfolio by category showed that whilst insurance companies in Nigeria invested 35.3%, 29.3% and 32.7% of their assets in stocks, shares and bonds, they invested 23.3%, 19.3% and 22.0% in real estate and mortgage loans (Central Bank of Nigeria Report, 1986b). This seem to show a lower investment and consequently less involvement of the insurance companies in housing finance. In addition, the report noted that this level of investment was more favourable to funding office buildings than residential houses. Furthermore, each insurer was expected to invest at least 25% of their assets in real property in respect of non-life insurance. The figures therefore showed that the insurance companies did not reach their investment requirement in respect of mortgages and loans. They were also required by law to report their lending operations especially on loans in respect of residential buildings, which shall be for a minimum of 15 years to the Central Bank of Nigeria, many of the companies failed to comply, hence the incomplete data on their operations (Central Bank Report, 1986c).

Presently the accumulated fund of the insurance companies in Nigeria is invested more in other areas such as government securities, stocks, shares and bonds. Many of the insurance companies have neither invested in mortgage financing nor have a reasonable percentage of their funds been channelled into housing finance. For example by the end of September 1985, only 15 out of the 84 registered insurance companies in the country reported their operations to the Central Bank of Nigeria compared with 22 respondents out of 83 registered companies in the corresponding period of 1984. Their activities cannot therefore be fully analysed. However, by the third quarter of 1985 available statistics showed that policy loans accounted for 21.3 million naira or 48.1% of the total amount available for loan, while mortgage loans amounted to only 15.5 million naira or 72.8% of the policy loans, a substantial increase on the 1982 figures. This apparent increase may be due to an increased growth in the number of insurance companies between 1982 and 1985 rather than increased investment in mortgage financing. Returns on rates charged by insurance companies on loans and advances showed that the companies charged between 6 and 10% on mortgage loans as against the government policy which prescribed a maximum of 9.5%.

Insurance companies can get more involved in mortgage financing if they were allowed to use mortgage facilities as a means of selling endowment policies, but this has not been the case because the law prevents them from doing so. Moreover insurance mortgage loan could be allowed to take the form of endowment policy for the same period of time that the loan repayment is expected to last, so that during the course of the loan and policy, the borrower pays only the premium on the policy and the interest on the loan. Consequently the actual loan is paid off when the policy matures. Besides, this system of housing finance can be targeted towards the high and middle income group and thus give the Federal Mortgage Bank the opportunity to focus on the low-income group. This is because people in the low-income group may not find insurance funds attractive since the annual repayment of premium and interest may likely be higher than the Federal Mortgage Bank's annuity loan repayment.

4.8. Summary

The foregoing shows that the existing conventional housing finance institutions in Nigeria are far from being adequate in quantitative and qualitative terms. While they are accessible to the high income group, it seems reasonable to hypothesize that small savers face practical difficulties in obtaining mortgage loans from them. They seem to be restricted by difficult loan conditions which appear to be based on the level of their income, rather than on their ability to save and repay the loan. Others include complicated mortgage applications which require many documents that are not easy for them to come by. The cost of making the application is often so high, partly because it includes the cost of professional services such as legal, estate and quantity survey and structural drawing fees, that households with modest incomes are put off. Hence, the majority of Nigeria's growing urban population appear to lack a well defined housing finance system, which should be able to stimulate the provision of urban housing for residents in all income groups. The extent to which these difficulties and obstacles really do affect the access of households to housing finance in practice was therefore one of the topics investigated in full in the field survey discussed in later chapters.

The government policy since 1986, is not to get directly involved in housing construction again, but to provide sites and services to enable individuals to build their own homes. This has not solved the housing problem because the existing housing finance institutions are not functioning efficiently and no new ones have been created. The country's only formal house financing institution (the Federal Mortgage Bank of Nigeria) has failed to produce results and to reach people in different income levels. Generally its services so far have been a drop in the ocean, as discussed in Section 4.2 above.

The problem of one institution doubling as primary and secondary mortgage institution has not only rendered it ineffective, but also affected its usefulness in reaching people in different income groups. In addition, commercial banks, apart from extending their deposit taking activities through the establishment of more branches, appear not to have been much involved in housing finance to the general public. Insurance companies like the commercial banks do not seem to have been involved in financing residential buildings either. These conventional institutions are co-existing with unconventional institutions in the urban centres. In spite of the inadequacies of the existing conventional sources of finance in funding urban housing and of the direct housing construction policy of the government, private sector landlords have continued to supply more than 80% of urban housing in Nigeria (Okpala, 1980). It is therefore appropriate now to examine the different types of unconventional sources of funding accessible to them.

Chapter 5
Unconventional housing finance in developing countries

5.1. Introduction

This Section discusses the growth and development of unconventional finance institutions in Enugu. Unconventional finance institutions have grown probably due to mainly the scarcity and lack of access to conventional housing finance institutions. While this Chapter argues that the traditional Igbo culture has played an important role in fostering these unconventional institutions, it also notes that unconventional institutions are not only found in Enugu and among the Igbo people, but are widespread in Nigeria and beyond. The most popular types are isusu, social clubs and daily small saver schemes. Isusu is a form of rotatory credit union that exists in both urban and rural areas of developing countries through which small savers accumulate lump sums of money for various purposes.

The growth of unconventional institutions in Enugu can be attributed partly to the Igbo social, economic and cultural life and partly to the inadequacies of the existing conventional housing finance institutions. Many of these institutions are off-shoots of well organized ethnic groups which are often quite powerful in various aspects of life in Nigerian cities (Smock, 1971; Nwachukwu, 1983). In addition, as Little (1973) notes, regional associations or clubs formed by migrants from a common region or origin play important roles in urban development as they permit modernization to take place within a traditional framework. Moreover, when people are denied access to urban resources like housing finance, either due to its scarcity, or the imposition of restrictive qualifications by the conventional institutions, they come to depend on their own determination to improvise for survival. Such resolution is instrumental to the growth and use of unconventional institutions in house funding in Enugu.

Ethnic organisations such as town unions, social clubs, and isusu groups cut across occupations, social class, and political affiliations. They are in the main a product of the city, but utilize structural principles inherent in the Igbo age-grade system (see glossary)(Basden, 1938; Nwachukwu, 1983). Age-grade is a term that is used to classify a group of people born within a period of one or two years interval in a specific geographical location in Igboland. As will be indicated in Chapter 6, people in the same age-grade are bound by strong bonds entailing various duties and responsibilities to each other, including help in constructing housing. They are very important feature of Igbo social life especially in rural areas. Town unions, social clubs and isusu groups have made a useful contribution to general economic development (Ottenberg, 1955, 1959; Morril, 1963) and to agriculture (Oludium, 1982; Von Pischke, et. al. 1983). Although some are general purpose groups through which small savers raise funds for a variety of purposes like trading, paying of dowry and school fees, this chapter will concentrate on their contribution to house funding as well as their origin and organisation. In this study, ethnic organisations are classified as unconventional institutions because they are autonomous, and are organized on different principles to those followed by financial institutions in the 'formal' or 'modern' sector of the market economy.

It must be noted that these unconventional sources of finance are in most cases used in tandem with other sources in order to make housing available to urban residents. For example, some landlords, especially self-builders, combine different sources of finance such as isusu, trade credit, and joint financing to build their houses. Although the amount of money raised through each source may be small, taken together unconventional sources can add up to a very large proportion of the cost of a house. In addition, they are significant in that they provide some finance, however small, for those unable to use the established institutions to fund their housing.

5.2. Rotatory credit associations or unions

Rotatory credit associations or unions are saving institutions which enable the participant to save for projects such as housing. There are, however, so many varieties of rotatory credit associations not only in different countries but also within a single community, that any discussion of rotatory credit union or association should adhere to or focus only on very common elements of practice in order to attempt any general definition. Hence Ardener (1964) defines them as associations formed by a core of participants who agree to make regular contributions to a fund which is given in whole or part to each contributor in rotation. The essential elements in a credit union are therefore that there is regularity of payment and a systematic rotation of funds among the participants. It is these elements that distinguish them from mutual benefit clubs and co-operative societies which supply goods to their members, with profits going to the members (Ardener, 1964).

There are many forms or variations on the basic themes of rotatory credit associations, differing from group to group and from one society and culture to another. In some groups, a lump sum is fixed and it is contributed periodically (Geertz, 1962). In others there are no fixed sums of money (Bascom, 1952; Little, 1957). While in some groups one member receives the whole contribution, in others the total contribution is split between one or two members (Ardener, 1953). Moreover, there are some credit associations that are not strictly rotatory in the sense that their total contribution is not shared out, but pooled together for a specific period or for a purpose. In this case, members are free to borrow in the interim from the common fund which still allows some form of rotation of the common fund. Most rotatory credit associations contribute money but as Ardener (1964) points out, to use the term "sum" is not satisfactory because all contributions are not always made in cash. Citing Embree (1946), she notes that in certain Japanese and Chinese associations, some contributions are made in kind, not cash.

5.2.1. Geographical spread

Among many African communities, there have been records of this practice dating back to the last century. In the West African sub-region, rotatory credit unions have been recorded among the Yoruba as Esusu, (Bascom, 1952) and among the Igbo as Oha (Ardener, 1953) or Utu, or Isusu. Jefferys (1951) notes that among the Ibibios the term Osusu is used to describe the same type of association. Among the Annang, the term Etibe describes the periodic contribution of a fixed amount of money by a group of people for various purposes.

In Northern Nigeria, there are also many variations known as Adashi or Dashi (Bohannan, 1962; Nadel, 1942). In parts of Cameroon, the practice has been reported to be prevalent among a variety of people and it is known by different names. For example, Kaberry (1952, 1962) describes the use of Djanggi, a form of rotatory credit union, among the Mbandi, Fungom, Ngie, Aghem, Zhoaw, Mashi, and Bali. The works of Ardener and Warrington (1960), and Guilbot (1956) also confirm the existence of rotatory credit unions among the plantation workers in Duala and other Southern parts of Cameroon. In Ghana, Sierra Leone and Dahomey Fyfe (1962), Guilbot (1956), Banton (1957) and Little (1957) describe different forms, methods and practices of rotatory credit unions among the various ethnic communities.

In Central Africa, especially in the present-day Zaire and in the Congo Republic, Baeck (1961) reports the existence of the association among the Bakongo known as kitimo and Ikilemba. Furthermore, in Malawi, Zambia, Uganda and Zimbabwe different systems and practices of rotatory credit unions are known to exist among wage earners (Mupansha, 1962; Southall, and Gutkind, 1956; Sofer, 1951). In southern Africa, Kuper and Kaplan (1944) gave a detailed description of Dia hodisana and Stokfel among the Bantu-speaking people living in urban areas, and among factory workers of European origin. In this case, fixed amounts of fellow workers' salaries are received in turn among co-operating members.

In Egypt and Sudan, rotatory credit unions commonly referred to as Sanduk or Khatto have been known to exist (Ardener, 1964). In Egypt particularly, they are also known as

Gameya and existed in both the rural and urban areas, and were practised by both men and women. In the West Indies, Susu, as rotating credit unions are called, exist in Trinidad, Barbados, and Guayana (Herskovite, 1947). Furthermore, Katzin (1959) describes the Jamaican system known as "Partners" which is not different from the systems that exist elsewhere. Among the South American Indians of Peru, Kuper and Kaplan (1944) likewise documented the existence of rotating credit associations.

Rotatory credit associations also existed in China by the end of the 19th century. Ardener (1953) and Smith (1899) reported that the rotation in the Chinese associations were usually very long and were therefore easily affected by events such as wars which might unbalance the economy and so lead to defaulting by members. There are also modern associations organized along the same line as the old ones. Kulp (1925), Gamble (1944), Fei (1939) describe one in which mathematical formulae were used to determine the amount of money required of members at each meeting. An example of this approach was one in which the contribution of those members who had not yet received the fund (the creditors) were determined by adding the organizer's subscription to the amount calculated from the number of debtors multiplied by the debtors' subscription; this sum was then divided by the number of creditors. This made it possible for the fund organizer to determine how much the group would further contribute.

In other parts of Asia, such as among the Chinese in Malaya, there are rotatory credit associations commonly called Kongsi and Hui (Purcell, 1948). In India they were called Kameti and a more formal type was known as Chit fund group and Kochin (Ardener, 1953). Even in urban areas of Vietnam, associations were organized by women managers (Embree, 1946). In all these parts of the world, rotatory credit associations are used to meet a great variety of the participants' needs.

5.2.2. Organisation

As indicated above, there are many variations in the organisation and membership of these associations, but a typical rotatory credit union is one in which a group of individuals make fixed contributions of money at regular intervals and the lump sum is distributed to each member in turn in part or whole (Bascom, 1952; Ardener, 1964; Geertz, 1962). The number of participants, amounts contributed, and length of intervals at which they are made vary from one group to another.

For example, twelve people may decide to meet every month, and to contribute twenty pounds each to a fund which is given to one member in the first month. In subsequent months, other members of the group receive the fund in turn, such that each member receives two hundred and forty pounds in rotation. At the end of the rotation, each member would have contributed two-hundred and forty pounds and received also two-hundred and forty pounds. Ordinarily this is a saving device but on closer examination, it is clear that the first recipient becomes a debtor to all others and remains so until the round is completed, while the last recipient becomes creditor to all others throughout. Theoretically, however, members are paid in one lump sum, exactly what they had contributed, with nobody gaining or losing. This practice is not based on any complicated or complex economic theory. Rather its success is dependent on group co-operation and self-help, which is both cultural and economic, and it is manifested through the provision of lump sums of money to members. On the other hand, the last members to receive, though creditors to all, face reduced value of their savings during periods of high inflation. This, however, does not appear to bother members who receive last nor does it stop groups from forming, since it is not only based on economic concepts but also on their traditional value system. In some cases, links with conventional institutions, as shown by the case studies in Chapter 9 below, have reduced the loss in real value for groups that do not pay out their contributions immediately, but deposit it for some time in a bank to earn interest.

The main advantage is that members will have large sums of money to meet their needs which may not be easy for them to accumulate if they were saving individually. Group contribution is not only inspirational but also helps members to be motivated and disciplined towards savings because it is seen as a commitment to the group's success. Defaulting therefore potentially entails a loss of esteem among one's peers, a particularly powerful motivation in close knit societies.

There are different ways of determining which member receives the money, and when. One method is by the use of lots. In this case a lot is cast among the members to determine who receives first, second and so on. Another is by the discretion of the leader, who may be guided by the order in which the participants indicated their interest at the beginning. Members who have special needs are, however, given the concession to receive the contribution at such times. There are other cases, in which the money is divided into special needs funds and rotatory payments as in Venezuela. This flexibility allows members to have access to funds when they are in real need without much difficulty or resorting to money lenders. Money lenders often charge very high interest on any money they lend to borrowers, and members of credit unions avoid them by borrowing from their group, where the interest is either not charged or the rate is very low.

5.2.3. Membership

Membership of a rotatory credit association is not fixed but may vary depending on the number of people willing to participate. In some cases, membership may be based on sex, age, kinship, ethnic affiliation, locality, occupation, status, religion, and education. Membership may also be dependent on other factors such as membership of a parent organisation like a town union. For instance, among the Igbos, age-grade associations and town unions often organize rotatory credit subsidiaries in which the management is purely restricted to members of the parent association (Ardener, 1953). In some instances, the subsidiaries reinforce the parent associations. In this regard, the age-grade association or the town union is at a higher level in the organizational ranking, while the rotatory credit unions are the sub- groups.

The role of all the members is not the same, nor is their share of contributions. Some unions have one or more officials and as Bascom (1952) observed in Yorubaland the leader may be supervising other assistant or sub-leaders. The size of the contributions also varies greatly from one group to another and even within the same association. For instance, if the fixed amount is one pound, two members may decide to pay fifty pence apiece to maintain a share or "membership". When it is their turn to receive, they will share the lump sum proportionally according to their individual contribution. In counting the membership, both will count as a single member. This flexibility makes it possible for the rich, the poor and people in different types of employment to participate.

On the other hand, a member who is rich enough may decide to take one or more shares or "memberships". This may also happen if the group decides to aim for a specific sum of money without necessarily increasing the number of participants. A single individual may also belong to different associations at the same time. Large groups may be subdivided with sub-heads who ensure that contributions are promptly made (Bascom, 1952). At present, in Igboland, there has evolved a number of modified versions to meet different needs in both urban and rural settlements. The urban based versions include social clubs which have been used in recent times to meet varying needs of members including housing finance.

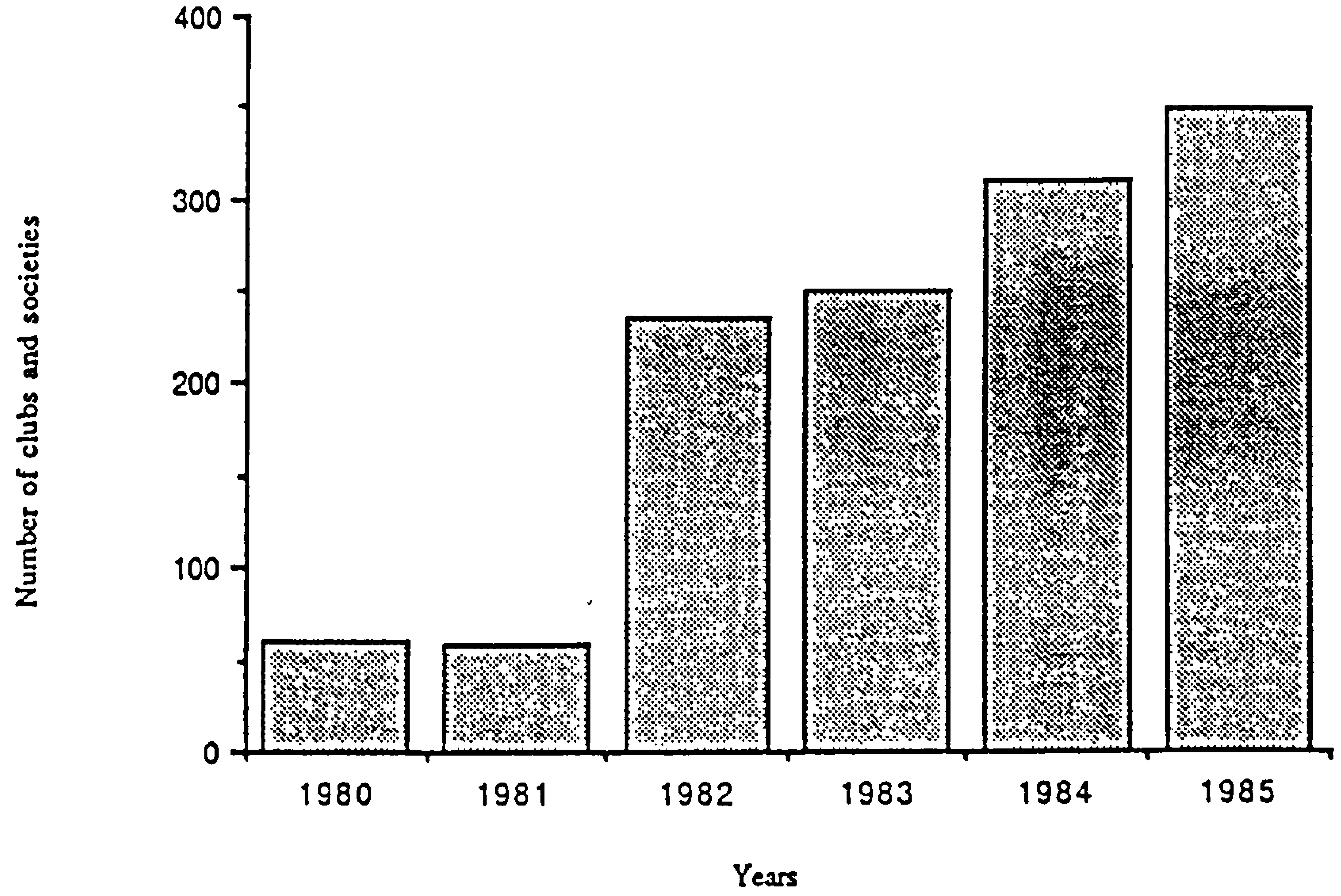
As indicated above, regularity in payment of contributions has been singled out as one criterion distinguishing rotatory credit unions from other institutions (Ardener, 1964). Presently among civil servants, contributions are made on pay days to avoid defaults. When members default, however, they are disciplined in a traditional way. For example, they may not be re-admitted when the round is completed, which portrays them as socially unreliable. However, since groups are formed along close ties like status, age-grade, and kinship there is a great deal of mutual trust and understanding among participants which members are extremely reluctant to lose by defaulting. Due to the closeness of the participants, defaults are therefore few, but even when they occur, settlements are sought outside the formal legal system except where the defaulter refuses to accept the decision of the elders or officials of the parent association. Moreover, it is a considerable shame for defaulters to lose the confidence of their kin, who would normally be expected to come to their aid in time of crisis. Also since members know each other intimately, they are able to predict who among them is likely to default. Such persons may be required to have a surety from someone who will guarantee their admission and will be ready to repay in case of default.

When members die, their families and in some cases friends may carry on with their "membership" especially if they had received their contributions before death. If the participants had not received their contribution, and their families decide not to carry on with their "memberships", the amount they had contributed is paid as and when due. Contributions can also be doubled on particular payment dates to enable two members to receive the fund at the same time and in doing so, speed up the circle. This is, however, different from social clubs in which the membership is for a life time.

5.2.4. Social clubs

Social clubs are voluntary social and economic organizations that aim at uniting and encouraging their members towards mutual self-help. In a sense they can be regarded as akin to an urbanized form of Igbo age-grade or group co-operatives with a strict code of conduct for members and with neither age nor ethnic origin a barrier or a determinant for membership. Hence, membership in a social club is open to all persons from all walks of life and entitles a member to such privileges as the granting of trade credit by another member. Their origin is traceable to the end of the Nigerian civil war in 1970 in the former Eastern Nigeria. Although they resemble the Igbo age-grade system, they are based almost entirely in urban areas unlike age-grades which are powerful in the rural areas. Figure 5.1 below shows the rise in the growth and formation of social clubs from 60 in 1980 to 345 in 1985.

Figure 5.1: Social clubs and related organisations 1980-1985.



Source: Register of Associations,
Department of Civic Registration
Federal Ministry of Internal Affairs Lagos,
Fieldwork, 1987.

This dramatic increase in the number of clubs is directly related to the socio-economic attributes of social clubs with emphasis on mutual self-help. Unlike isusu groups, social clubs are larger in the size of membership and are widespread all over the Federation. For instance, the largest social clubs have branches in all the state capitals in Nigeria. Furthermore unlike isusu, they are required by law to register with the Ministry of Internal Affairs, Civil Registration Department. They are therefore legally recognized as social organisations and can acquire and own public property. Memberships of isusu and social clubs are not mutually exclusive because any person can belong to the two organisations at the same time. Membership of a social club is not limited to any class of people or to the Igbos alone. Since the early stages of the clubs' existence, both membership and formation of new ones have spread outside Igboland. However, an intending member must not be an ex-convict, or have any criminal record. Applications for membership must be supported by no fewer than two members, who must attest to the honesty and good behaviour of the applicants. Even after admission, members convicted of any criminal offence lose their memberships. Their membership cards are withdrawn and their names are struck off the clubs' national register. Being a social and economic organization, social clubs have aided their members in getting into the main stream of Nigerian business especially after the civil war and this includes house ownership through the granting of trade credit.

5.2.5. Social clubs and trade credit

Trade credit may be used by a member of a social club who is constructing a house to buy building materials from another member who is a dealer in those materials on credit. The trade credit system is the method through which goods are offered to borrowers instead of cash. In this case, the buyer is the borrower and the loan is in the form of building materials. The borrower repays the loan, which is the price of the goods he was "lent" as and when due. The buyer, may be required to pay part of the cost of such material to the creditor at the time of purchase. Later, the method and periods of payments are agreed upon by both parties. Payments are by instalments with the creditor charging slightly higher prices to cover the interest. With non-members, the interest charges are higher, but with social club members, such charges are softened by the solidarity and presumed trust it entails. Such credit facilities have the advantage of enabling members to build their houses with the "membership" standing as security and guarantee that the buyer will not default in payment. It is easier for members to obtain such credit facilities from other members than a non-member from a member.

Apart from isusu and social clubs, there are other types of unconventional institutions, such as joint financing and daily small savers schemes which were found to be existing in

Enugu during the survey. Joint financing, in particular, is the method through which two or more people jointly finance the building of an urban house for their common use. Daily small saver schemes, on the other hand, are a savings method through which small savers in Enugu, like petty traders and artisans save a certain amount of money daily through a collector. Such savings are used among other things in paying rents and financing self-build houses. Though these are also quite significant as methods of unconventional finance, it is convenient to postpone examination of them in more depth until Chapter 9 where data collected on them in the field is discussed.

5.2.6. General advantages and disadvantages of unconventional finance

The main advantage of unconventional sources of finance is that they are very flexible. A participant may withdraw if he or she is unable to continue with the contribution without any serious consequences, unlike a borrower from the conventional source. For example, the landlord/owner occupier who is using unconventional sources of finance will be free from the fear of increased monthly repayments in time of high interest rates, as happens when variable interest rates are used, unlike a borrower from conventional sources. Similarly, isusu users, for example, are not afraid of re-possessions of their houses, when they default in their repayments. They build when funds are available and stop when there are none. They are probably less afraid of the reduction of income attendant on losing their job, and the possible consequence to incurring debts. Thus they are well adopted to the vicissitudes and uncertainties of economic life and household incomes in a developing country. The major disadvantage, however, is that the lump sum provided is in most cases small compared to that from conventional sources. This consequently affects the rate of urban housing construction and supply. These advantages and disadvantages are crucial in understanding their roles and the strategies used by households to obtain housing finance, which will be discussed in Chapter 6.

5.3. Summary

From the discourse above, it can be seen that unconventional institutions are widespread and are used for various purposes. Although their organisation and membership may vary from group to group and from culture to culture, the general or basic principles of practice remain similar. They play important roles in general urban development especially in the provision of housing finance. Social clubs in particular are highly urbanized and have adopted the traditional practice of self-help within the urban milieu, through the encouragement of trade credit among their members. In fact their very existence in the urban environment illustrates how much they have been adopted to meet the financial needs of the urbanites. Nevertheless, there is no evidence to show that there has been a conscious effort by any government to formulate a housing finance policy that will link unconventional institutions to the existing conventional institutions. We shall hence examine the general framework through which a household in Enugu may have access to housing finance in Chapter Six below.

Chapter 6
A general framework for analysing housing finance in Enugu

6.1. Introduction

Chapters 4 and 5 discussed the main sources of conventional and unconventional housing finance in Nigeria and have attempted to assess their main characteristics from the perspective of potential borrowers. It is now necessary to look at the provision of housing and housing finance in the context of a broader conceptual framework and to consider in some depth how individual households respond within this institutional environment in their attempts to obtain housing and housing finance. To do so, the approach used is mainly to attempt to outline a general and framework for analysing access to the relevant funds through considering the likely strategies of typical households and their possible stages of decision making as regards seeking and using conventional and unconventional finance in Enugu. In addition, an attempt is made to examine the decision making process of conventional institutions and the factors they are likely to consider when deciding who may be granted a mortgage. The chapter also discusses local conditions that influence the housing finance system in Enugu. This chapter can therefore be regarded as an attempt to bring together much of the pertinent materials and discussions of previous chapters and to use this integrating framework to formulate some general conclusions and, indeed, hypotheses concerning the allocation and use of housing finance in Enugu. Before doing so, it is helpful to consider the ideas of John Turner in relation to the general provision of housing in developing countries. The writings of Turner and his critics are largely concerned with housing production and with what roles governments and individual households should have in the production of housing. Although he has little to say directly about housing finance, Turner's ideas and those of his principal critic, Rod Burgess, are fundamental to the discussion of housing in developing countries and are widely referred to that it is appropriate to consider them initially in an attempt to remedy the lack of theory regarding housing finance. Also Turner's advocacy of self-help and self organisation in housing production provides some interesting perspectives on the credit unions and other methods of "self-organized" finance, like social clubs, which are a centre of concern of this thesis.

6.2. The Turner - Burgess debate

As we noted in Section 4.1, the rate of urbanization in most developing countries is fast and the explosion of squatter settlements in particular has been viewed as detrimental to the orderly growth of major cities (Davis, 1972; Conway 1982). One of the most important issues that arose with the spread of urbanization and the growth of squatter settlements was (and is) the problem of 'housing deficit' and how best to tackle it (Dwyer, 1975; Drakis-Smith, 1981). The problem of how the urban poor can best be provided with housing sparked off a number of debates one of which is known as the "Turner - Burgess " debate. Much of the ensuing discussion of this debate draws heavily on Conway's, (1982) summary of the views of the two authors.

John Turner's (1976) solution to the problem of housing deficit emphasizes the values of self-help and dweller control of housing especially in Latin America though it may be applicable in other parts of the world. Turner (1976) has argued that when dwellers themselves control the major decisions involved and are free to make their own contributions to the design, construction and management of their housing, both the process itself and the environment produced stimulate individual and social well being. He was also of the view that when people have no control over, nor responsibility for key decisions in the housing process, "dwelling environments may instead become a barrier to personal fulfilment and a burden to the economy" (Turner, 1976, p.6). He also argued that the most important thing about housing is not the imposition of material building standards because the deficiences and imperfections in a person's housing are much more tolerable if they are the responsibility of the individual himself or herself than if they are somebody else's (Turner, 1976).

Turner (1976) largely seems to have based his conclusions on work and research he carried out in South America as well as Western countries over a large number of years. In considering the role of housing provided by government agencies, Turner (1978) saw a danger in what he described as " the hegemony of the absolute collective, with its frustrations of personal fulfilment through the suppression of individual responsibilities and creativity, as a fundamental weakness and therefore unacceptable" (Turner, 1978, p.1136). To Turner (1978), the whole of the housing process - "saving for it, occupying land for it (squatting), building it, rebuilding or improving it, managing and maintaining it and furnishing it" - accounts for a substantial proportion of the work and capital of a household (Turner,1978;p.1137) (Turner,1978,p.1137). According to Conway (1982), Turner (1976) believes that the utility of a house to the urban poor in developing countries can best be determined from the perspective of the owner-builders themselves. In addition, Turner (1968) is convinced that, the combination of resources which the owner-builder possesses can be most economically selected by those participating in the construction and maintenance. Hence Turner (1978) dismisses the idea that the urban poor can be satisfactorily provided for by insensitive, not to mention financially burdened bureaucracies, which are likely to result from housing constructed and finished by the state. While Turner (1968) emphasizes the effectiveness of self-help he does envisage a key role for the state in providing a planning framework which helps to co-ordinate and support local initiative policies and also helps to foster local autonomy at community level. Used in this role central government agencies can promote efficient use of resources. The key principles in Turner's outlook are self-organisation and self - government, the use of alternative technology inputs and planning "through limits rather than through inflexible standards" (Conway,1982:p.41).

Turner's work can therefore be seen as related in part to the tradition of anarchist thought and philosophy which had a very significant influence on British planning and which includes the ideas of Howard, Geddes and Ward (Hall, 1988). Indeed as Hall (1988) shows, Turner's philosophy and actual recommendations mirror quite closely Geddes's ideas and plans for improving Indian cities in the second decade of this century.

Turner's (1976) views have received much support as well as criticisms. In examining Turner's (1976) view of the values inherent in housing, his most important critic, Burgess (1978; 1982) finds them at considerable variance with his own marxist perspective. Burgess (1978;1982) focuses on two areas where he claims Turner erred, namely, in " the misunderstanding of the relationship between utility (use-value) and market value (exchange value)" and in denying the commodity status of self-help or dweller controlled housing (Burgess, 1978:p.1108). Burgess (1978) claims that Turner (1976) is at fault in not considering the transformation of a self-help house into a commodity form by the producer himself; the fact that one person's use-value can be another person's exchange value and vice versa and that a self-help house can be a very different commodity to various interest groups operating in the broader urban market. Burgess (1978), arguing mainly from a marxian perspective, further pointed out that "contradictions, conflicts and crises invariably occur in a global order dominated by capitalism" and countered Turner's (1976) central emphasis on "local autonomy versus central autonomy" by setting up a scenario stressing the relationship between industrial forms of housing production which he sees as dominant and self-help petty commodity forms of production which he sees as dependent (Burgess,1978:p.1113). Petty commodity in this case refers to small scale housing production with low capital. According to Conway (1982), Burgess (1978) assumes that "there is an inevitable penetration of monopoly capitalism and subsequent domination of market forces over autonomous petty commodity production" Burgess,1978:p.1114). Burgess (1978) was also of the opinion that the roles of institutional government (the state and planning apparatus) can only be "supportive of the inherently exploitative, capitalist modes of production, consumption and exchange" (Burgess,1978:p.1113). Burgess (1978) further argues that Turner's self-help housing policies can only be partially implemented by governments at national and local levels because the "conservative anarchism" advocated by Turner is in direct conflict with the interest of capitalism (Burgess, 1978:p.1114).

Turner (1978), however, sees the distinction between his "conservative anarchist" view and Burgess's "radical authoritarianism" as a major point of departure in their debate over self-help housing policies (Turner,1978:p.1136). Turner (1976;1982) does not deny market - values or suppose that they could be eliminated, but feels that the issue of use value versus market value is a question of balance not exclusion.

Conway (1982), supported Burgess's view by saying that Turner misunderstood the potential set of relationships between use-value and exchange value in the housing market as just noted. However, Conway (1982) further argued that Burgess also erred in not discussing the commodity status of housing beyond general and abstract scenarios which ignore the very relationships he (Burgess) was at pains to identify as Turner's oversight. Criticism of Burgess's views has also come from Gilbert and Linden (1987) who argued that a key " plank" in Burgess's argument is the distinction between the "artisanal" form of housing production and the "industrial" and "manufactured" forms (Gilbert,et.al;1987:p.130). In their view, the artisanal form of production advocated by Burgess, is essentially a type of self-help which occupies land illegally and uses recycled or low quality building materials. They also pointed out that Burgess's industrial and manufactured forms of building use wage labour and provide housing only for those groups with sufficient incomes to pay the cost of production, ground rents and profits involved in housing production and exchange. They note that Burgess (1978, 1982) tries to argue that self-help housing, while being cheaper than state produced industrial or manufactured housing, is more expensive than artisanal housing. Thus the debate around the views of Turner and Burgess focuses on the advantages and disadvantages of different approaches to the production of housing and the associated role of the state. Although housing production is not the central concern of the present thesis, before examining access to housing finance more closely, it is important to consider how the need for housing finance has arisen in Nigerian cities. To do so we need to consider the traditional pattern of house production and the way this has been affected by various factors associated with urbanisation and economic change. Some of the concepts and arguments thrown up by the Turner/Burgess debate will help to clarify this process of change and are also taken into consideration in the discussions that follow especially in Chapters 8, 9 and 10.

6.3. Rural/urban contrasts in house provision in Eastern Nigeria.

It may be helpful at this stage to say that the attempts made here to outline some general relationships are partly based on observations made during field work but also draw heavily on the author's experience of living in Eastern Nigeria for the greater part of his life. Though the author has mostly lived in large urban centres since starting higher education, including 6 years in Enugu, most of his early up bringing was in a rural settlement, predominantly based on agriculture. While it can, of course, be argued that personal experience can provide some useful insights into economic and social processes, there are also evident dangers in using one individual's experience as a source of generalizations. For this reason, an attempt will be made to draw attention to those conclusions which seem to depend most strongly on the author's own experience and those that are derived or corroborated by wider sources of evidence or argument such as the field survey discussed in Chapters 8 and 9 or studies cited in the literature.

In Igbo traditional society, before the introduction of paid labour, houses were normally built through mutual self-help and co-operation operating through the age-grade system (Green, 1964). Thus, when a member of an age-grade desired to build a house, he solicited the help of his age-grade peers in building one. It is worth noting here that in Igbo traditional society, it is usually the male child that owns a house or is expected to own a house, while a young woman is expected to live with her mother until she gets married and lives in her husband's house.

Igbo traditional building materials such as wood and timber, roofing materials such as mats, bamboo and ropes are all found locally (Basden, 1938). The traditional arrangement was then that members of the age-grade would agree among themselves on which day or days they would be free to go as a team to collect these building materials. The prospective owner of the house and/ or his family, would have the responsibility for providing food and other items of refreshment for the age-grade peers during the period they would be helping to build the house. After the materials had been collected, members of the age-grade would fix certain days in which they would come together to help in one way or the other until the house was completed. The land on which the house is to be built is traditionally free and is usually provided by the family of the prospective 'owner'within the family compound. By custom, special building materials like special types of timber for house construction, are free on request from the owners of the part of forest in which they are found. In special circumstances, exchange of certain materials with the owner could take place where this is to their mutual advantage. Furthermore, most skills involved in housing construction are traditional and everyone, especially male children, learns them as part of their culture and up bringing (Basden, 1938; Green, 1964). For example, young boys are expected to learn how to make roofing mats from an early age.

In relation to the preceding discussion, the most important feature of this traditional system is that virtually all the building materials, land and labour are acquired without the use of money. There is therefore no need for housing finance. It is also worth emphasizing that most traditional houses are built essentially for the use of the owner and not for renting, unlike houses in the city. Even when one has more housing space than required, needy persons are allowed to occupy it rent free. Thus traditional houses in Igbo culture are built almost entirely for their use-value as opposed to their market value. Furthermore, until the relatively recent spread of urban influences into rural areas it was very rare for rural houses to be bought or sold. The idea of a house having a realizable money value was not part of peoples' thinking. While this pattern of housing provision has its origins in traditional society, it is still the basis for most housing provision in contemporary Igbo rural society, though there is now a tendency for special building materials not available locally (such as glass or roofing zinc) to be purchased and for wage labour to be used in particular specialized work, for example, electrical wiring.

In the large towns and cities of Eastern Nigeria, urbanisation and the demands of the urban society have made it difficult for age grade cooperation in house construction to function effectively. Essentially this largely results from the fact that the money economy is much more pervasive and conditions economic and social relations more deeply. This has many consequences. For example, where some members of the same age grade live in the same city, most are likely to be engaged in paid labour much of the time and therefore may not be available to help their peer who is building an urban house. Even when they have time available, it becomes much more difficult to co-ordinate the joint work of a spatially dispersed group because of the travel and communication needed and the diverse patterns of demand on their time, especially in a large city. Also, those living in the city with special building skills are most likely to seek and be engaged in paid labour in order to earn money to pay their rent and to meet their other needs in the money economy. A major problem is also that most age-grade members are likely to live back in the village or in another town and are simply not available. Alternatively they may live in the same town but are in different types of paid labour and therefore cannot easily take time off to travel and to give free labour to their peer. Even those members of the age-grade who are in town may not necessarily be required in most parts of the urban housing construction because urban houses are built according to city planning regulations. The size, structure and materials specified by regulations discourage traditional materials. Thus, the building of traditional thatched houses in the city is prohibited because they are regarded as fire hazards. Moreover, most of the building materials needed for urban housing such as roofing zinc, nails, cement, sand and stones are usually purchased. Unlike traditional or rural society, where materials such as timber or roofing materials could be got free, those in use for urban houses are normally paid for in cash. There are no "free forests" for self-builders to go and collect building materials they may need free. Even when nearby forests exist, owners of such materials expect to be paid. As we noted above, most 'urban' building materials have to be bought because they are industrially produced or imported through the money economy.

In addition, an urban house built according to regulations needs skilled tradesmen such as carpenters, masons, electricians, painters and plumbers because the building materials involved require special skills. These are trained in formal, mostly fee paying, schools unlike the traditional system of acquiring skills. Skilled labour normally has to be paid for, hence money is needed for all these aspects of urban house construction. Also while members of the age grade may be willing to offer free labour to their peer building a traditional house, they are most unlikely to do so in the city because they themselves need money to pay for food, rent and educational bills. Thus money values are well developed in practice and in people's thinking and attitudes to urban housing in a city such as Enugu.

The result of all these factors is that urban houses are built with money values very much in mind and it can therefore be argued that urban housing provision and construction is influenced by both exchange and use values but that the former often seems to be dominant since large structures like tenement blocks of flats are often built by owners with a view to renting out all but one or two flats which are kept for their family's occupation. In this case, Burgess's emphasis on exchange value and his claim that one man's use-value can be another man's exchange value and vice versa seems to have validity.

6.3.1. Effects of urbanisation and the money economy

Thus, urbanisation and the money economy have brought with them paid labour. Hence most migrants to the city have to look for paid employment to pay for the food, accommodation, transport and other manufactured goods they need. Self- builders in the city often build houses large enough for them to have at least part of it vacant for rent. Indeed one major attraction in building an urban house is the opportunity to rent part of it to get money, quite possibly, to build a rural house for retirement. Since a standard plot measures about 100 feet by 50 feet these are large enough to allow the construction of extra space for rent.

Since access to conventional finance is often restricted as will be shown in more depth in Chapter 8, people have to develop other ways of providing the housing finance which the money economy requires. Isusu, social clubs and daily small saver schemes can therefore be seen as methods of finance which have been inspired by "rural" traditions of mutual self-help and cooperative pooling of resources. In fact, isusu as a means of finance based on mutual self-help can in some respects be regarded as consistent with Turner's self-help for house construction. It must also be noted that conventional and unconventional systems of finance exist side by side and that people use them singly or in combinations as they find possible and appropriate. If and when the participants become more conscious of the economic disadvantages of isusu (for example the fact that it ignores the rate of inflation and may not provide much interest), it is possible that isusu may be weakened and its role may diminish. However, since isusu is deeply rooted in Igbo culture, it can be argued that it is unlikely that such a strong traditional practice will easily be abandoned in favour of Western practices and ways of thinking, especially when it has such a positive role in financing housing as Chapter 9 will demonstrate.

The urban situation is thus dominated by exchange value as regards production of housing. Regarding finance, however, as will be shown in more depth in Chapter 9, much urban housing finance is raised, ironically, by unconventional means outside commercial market processes.

6.4. Differences between Latin America and Eastern Nigeria

Since John Turner's work has mainly been concerned with housing conditions in the cities of Latin America and much of the debate and discussion outlined earlier has been concerned with Latin America, it may be helpful to consider the extent to which the basic conditions in which housing is financed and produced in Eastern Nigeria resemble or differ from those mainly envisaged in the literature just discussed.

While rapid urbanisation has produced the same basic problems of housing deficit, resulting in much "self-build" activity as in other parts of the developing world, there are a number of significant differences, some of which are probably general to West Africa while others are particular to the Igbo culture of Eastern Nigeria (for instance, the role of age-grades). An important difference from the situation in Latin America is that in Eastern Nigeria some of the conflicts arising from the problems of housing deficit, would appear to be less serious and less explicit. In Latin America, some of these conflicts are expressed particularly vividly in squatters invading and illegally settling on land (often public) which they do not own or pay rent on. A factor behind such events is obviously the shortage of affordable or available land for housing particularly to the poor. This may well reflect the high price of urban land in large South American cities, compounded by planning and building regulations which mainly provide for plots so large that only the well off can afford them. While such invasions are often well organized and disciplined, they are related to the economic insecurity of the urban poor. Furthermore, the result of such invasions only gives the settlers insecure occupancy of the land they have built their houses on.

As elsewhere, migration in Eastern Nigeria is largely rural to urban (Ajaegbu, 1976). (There is also, however, a substantial amount of seasonal urban to rural migration especially during the farming season which involves intense labour.) Basically, migrants to the city have the choice of renting their accommodation or staying with friends and relatives which is usually rent free or entails nominal rent. While there is a large supply of accommodation available for renting, rents are generally high and some are very expensive. On the other hand, extended family and kinship network is strong and aids new migrants to the city to get established as quickly as possible and may help migrants to avoid paying high rents (Morril 1963, Flanagan 1977, Peil 1972, Hanna and Hanna 1967). The kinship network is probably more extensive than often seem to be the case in Latin America and therefore helps to mitigate the severity of the urban housing deficit in many parts of West Africa.

The economic situation of a migrant to a city in Eastern Nigeria would appear to differ from what often seems to be the case in a Latin American context. Firstly, migrants in Eastern Nigeria are not landless labourers or tenant farmers who have no right to agricultural land. Virtually all own land or a share in it in the area they come from. Also, since rural agricultural production, based on yam, cassava, maize and vegetables as food crops is relatively stable and productive, should migrants be unable to make an acceptable living in the city, they can always go back to the rural area and help farm the family land. For these reasons there is little likelyhood of their going hungry and, if they encounter adverse conditions in the city, they have the option of returning to the countryside. In this particular sense, migrants in Eastern Nigeria are less insecure economically than those in other situations in the developing world where migrants to the city do not own rural land which they can return to cultivate. This contrasts with those parts of Latin America which have large private estates and small tenant farmers with little security.

Secondly, there is virtually no illegal squatting on "vacant" government land in Eastern Nigeria as Peil (1976) and Bentsi-Enchill (1965) have noted, a major contrast with Latin American cities and many parts of Asia. As elsewhere in Nigeria, city authorities regularly exercise their right of compulsory purchase on substantial tracts of peripheral land which is then subdivided into standard plots (usually 100 by 50 feet in Enugu) for sale to self-builders. Thus all self-builders, however rudimentary their housing, normally have a legal title to the land they build on and are therefore not under threat of forceful eviction or clearance which is a significant threat and source of insecurity to squatters elsewhere in developing countries. It is therefore important to emphasize that there are no squatter settlements as such in Eastern Nigeria.

Many migrants to the city in Eastern Nigeria are still very much concerned with using the money earned in the city to build a "modern" house back in the their village, that is, a new house within the family compound. This does not undermine cultural traditions as such but may be attributed to urbanisation and the effect of money economy of the society. This is usually mainly for retirement and for the prestige it confers in the rural society. It is worth noting here that age - grades are still reckoned by the village where the family originated and not from the town where the children of migrants are born. Thus in their ambitions as well as sense of roots, many urban dwellers still have a strong orientation to the village they came from. This is also partly because they or their family own land there and they see this as of fundamental importance. In contrast, squatters in Latin America do not usually own land in the rural areas and therefore don't have such roots or the security, it confers, however limited. This rural orientation, of course, helps to foster the maintenance of kinship and village ties and rural values generally in the city. The strength of kinship ties, the accommodation they provide, the option to return to the village, the legal title to land of self-builders all help to explain why many conflicts related to housing deficit are less acute in Eastern Nigeria (and West Africa generally) than in Latin America.

It is very striking that Turner's writing is dominated by discussion of case studies from Peru, Mexico and other parts of Latin America and that there is very little discussion of the problems in African cities. The preceding discussion in this section suggests researchers should be wary of applying concepts and models developed in a Latin America context to a West African one. It is also significant that the debate between Turner and Burgess is mainly concerned with the roles of individuals, local communities and central governments in housing construction and provision. Surprisingly, it is almost silent about the problems of housing finance and the roles of various bodies in providing it, despite the fact that it can be argued that finance in several senses is prior to construction since a house cannot usually be built until finance is available to pay for the construction cost, whether from a bank, a central government loan organisation or the savings or borrowing of an individual household.

While the debate between Turner and Burgess has therefore little direct relevance to an analysis of housing finance in a Nigerian context, it is nevertheless valuable in drawing attention to the contrasting perspectives afforded by the concepts of use-value (still dominant in the villages of Eastern Nigeria) and exchange value, dominant in the cities. Whether the growing importance of exchange value is associated with the 'spread of the market system' or 'the diffusion of Western economic and urban values' or 'the growing penetration of pre-capitalist society by the capitalist system' or 'the erosion of traditional values by modern ones' (all of which the present author regards as partly accurate and partly inaccurate), the urban economic situation in Eastern Nigeria ensures that housing provision largely entails money based transactions, which necessitates the provision of finance. Since banks have been reluctant to finance housing and the availability of housing finance from government bodies has been restricted, "urbanisation" has produced a very large 'housing finance deficit'.

Unconventional forms of housing finance such as isusu and social clubs can be seen as an original, indigenous response to this need inspired by traditional practices of mutual self-help, co-operation and pooling of resources. While it would be too simple to say that the role of the age-grade in providing housing in the villages is largely replaced by isusu in the city, there may be some truth in this and it is worth noting that both institutions are based on traditional practices of self-help and co-operation. The actual extent and pattern of the use of isusu and other unconventional forms of finance will be discussed in Chapter 9. However, at this point in the discussion it seems appropriate to regard such forms of finance as broadly fitting the spirit of Turner's anarchist philosophy in that it is based entirely on self organisation and people seem to be able to control their own participation in it in a way which suits their own needs and thereby avoid the disadvantages of outside bureaucratic control. Indeed, it is perhaps surprising that advocates of Turner have not shown more interest in unconventional forms of finance. A situation in which finance (a resource which has only exchange value and is used to meet a need produced by the advance of market relationships) is provided by institutions and practices developed from the traditional society may seem paradoxical but it also illustrates the way in which traditional societies can adopt and combine economic practices based on very different principles to meet their needs.

It should also be noted that Burgess's distinction between "industrial" and "petty-commodity" production of housing may not fit the actual situation in Enugu. This is because the production of the urban house in Enugu is more complex than that which Burgess has considered. The final product - the house can be regarded as an integral part of the capitalist mode of production, as Burgess argues. However, the relationship between the house and the production process is more complex than Burgess might suggest, particularly if one takes into account the way in which the housing construction is financed. For example, traditional methods of savings are coexisting with the capitalist banking system and both are used in funding urban housing in Enugu as our study shows in Chapters 8 and 9. There appears to be no obvious conflict between the two systems. Rather the urbanites have adapted to using one or the other or even both systems in meeting their housing financial needs, depending on what they want and what is permissible. If Burgess's model is extended to the realm of finance, the modern capitalist form of finance (the banks) would be expected to be in competition and conflict with traditional forms of finance such as isusu and the former would probably be seen as attempting to penetrate or dominate the latter. If users, however, combine the two systems in varying ways to suit their needs it can be argued that, from the users perspective, they are to a large extent complementary rather than conflicting. Moreover, if the Nigerian banks appear reluctant to expand their activities in housing finance, as was noted in Chapter 4, it is difficult to sustain a simple model of capitalist expansion and domination and one of inherent conflict between the two systems in the realm of housing finance. It is possible, of course, that Burgess's model may be more relevant at some future stage of development as regards housing production and finance in Nigeria. While the debate between Turner and Burgess may not have a strong or very direct bearing on the way in which various methods of housing finance are used in Eastern Nigeria, the contrasting philosophies of Turner and Burgess help to provide extra perspectives from which the roles of conventional and unconventional finance can be assessed. It will be argued that some of the results of the social surveys have significant implications for the Turner - Burgess debate.

If the availability of land for self-build housing is one of the key problems of housing in Latin America, limited availability of finance is certainly one of the key problems of urban housing in West Africa. In fact, as we noted in Chapter 3, finance systems and institutions are better developed in Latin America than in West Africa and therefore somewhat less of a problem, at least for middle income families there. This may partly account for Turner (1976) giving finance relatively little attention. The writings of Turner and Burgess does not yet provide any theoretical framework or obvious hypothesis about housing finance. In an attempt to fill part of the gap noted as regards theory of housing finance, we now put forward a general framework for examining the way in which urban households in Eastern Nigeria make decisions about how to obtain housing and housing finance. It is convenient to do so mainly from the perspective of households trying to acquire their 'first time' house, since this is the most difficult step in many respects. Also, since few houses are bought and sold in Enugu, the first house usually remains the possession of the owner and their family.

6.5. Household strategies to obtain a first time urban home

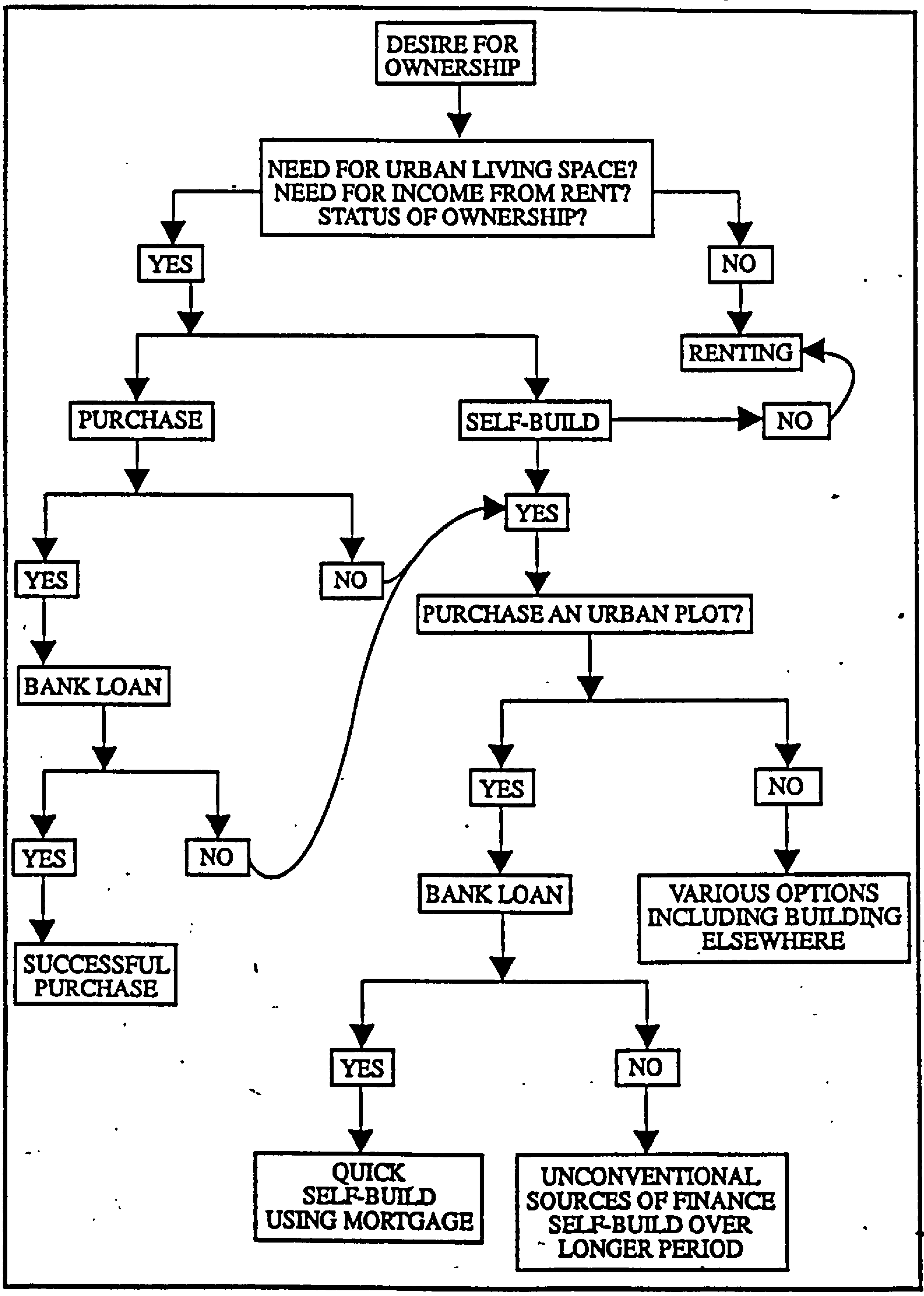
Before an individual decides to build or buy an urban house, there are basic decisions he or she must take. Such decisions are important in helping the individual take the right step towards the best choice for their own circumstances. It is important to establish at the outset the difference between the need for urban accommodation and the wish to own an urban house. The need for urban accommodation may be satisfied by renting, while the need to own an urban house is obviously not. This shows that the need for use-value, can be met by renting, though neither Turner (1968;1976) nor Burgess (1978;1982) gave much attention to the possibility of renting in their discussions. It should be noted that renters in Enugu are, of course, operating within the dominant market system, since the house he or she leases and uses also clearly has exchange value which in this case is realized by the owner through rent. The house is obviously a commodity which has exchange value for its owner and in the market place. This for Burgess would be its defining characteristic, and for Turner it would also have use-value.

However, such housing can also be "self-built" as well as bought on the market. Turner (1976) did not really consider self-building for rent. However, Turner cannot deny the commodity status of this type of housing as Burgess accuses him of, especially with his reference to self-build for personal use. In fairness to Turner, it must be said that he acknowledges the importance of exchange value but seems to feel that Burgess over-emphasizes it to the exclusion of other perspectives.

Normally in Enugu, one pre-condition for buying a house is the intention to stay in the city for a fairly long period in the future. In fact Peil (1988) noted that ownership of urban housing makes a continued stay both possible and more likely. Another important consideration in choosing to own an urban house is the need for (and/ or the attraction of) the income accruing from renting it out.

Figure 6.1 below illustrates in a simplified form, some of the typical steps a household may take in order to obtain a "first time" urban home. It should be noted that this is an outline and that the actual sequence of thinking and decision may differ somewhat in many cases. Basically, a person who decides to own an urban house may take one of two approaches, namely opting for either purchase or self build.

Figure 6.1: A households strategy (simplified) for obtaining a "first time" home.



A house that is available for purchase may already have been completed, without the buyer deciding on the design and location. However, before an individual can buy a house, he or she may have to find out whether there are houses available for sale, their location and possibly their price. Thus the availability of a house of his or her choice at an acceptable location, is an important pre-consideration in deciding whether to buy or not. If there is no house available, or the type and location of those available in the market do not suit their taste, an individual may opt for self-build.

Information on how the housing market in the town works is therefore essential in helping the individual find a suitable house. It is worth emphasizing that, in Nigeria generally, ascertaining what is available for purchase may not be easy or straight forward. Firstly, estate companies are in most cases involved much more in renting or leasing office accommodation than in the buying and selling of residential homes. Secondly, in Nigeria and in Enugu in particular, house purchase is often conducted in secret. One reason for this secrecy is that, among the Igbos and probably many other cultures in West Africa, it is frowned upon culturally for Igbos to sell their houses. This is because an urban house is regarded as an investment for the family or a legacy that their offsprings should inherit. In this case, the cultural value system of the Igbos with regard to the traditional use of housing has an impact on the housing market and can sometimes override the short term attraction of realizing its exchange value through sale. Thus there are few houses available for sale. Even when any is available, one will rarely see "for sale" signs put up. The consequence of all these restrictions and difficulties in the supply of houses for purchase is probably to encourage more people to resort to self-build and perhaps, by apparently reducing supply in a situation of scarcity, to increase prices. Thus, in a sense, the traditional emphasis in Igbo culture on the use value of a house and the attendant reluctance to sell it may perhaps raise prices (that is the exchange value). As we noted in Section 4.1.2 (see also Section 7.3.1), it was mostly the Government that built houses for sale to the public during its public housing programme on an owner-occupier basis. Where an individual is not able to buy a house, the best alternative is to try to own one through self-build.

If the prospective purchaser approaches a bank and satisfies the bank's loan requirements, the person may be granted a loan to purchase a house. On the other hand, if the individual fails to secure a mortgage, he or she may resolve to own a house through self-build. As regards financing purchase through unconventional institutions, since the amounts of money typically raised through the latter means of finance seem likely to come in relatively small instalments, it would seem unlikely that unconventional finance could finance all or much of the cost.

If an individual decides to own an urban house through self-build, he or she must first obtain an urban plot on which to build it. Urban plots are available after the municipal council has acquired, mapped and designed new layouts for urban residence. Thereafter, individuals who are in need of urban plots may apply to buy them. It is necessary to emphasize that there is always keen competition for the few plots available at any time. Thus there are more people who have need of urban plots than the number available for purchase. It is also necessary to note that financial institutions do not usually give loans for the purchase of plots of land. This is because of the different interpretations of the Land Use Decree discussed in greater detail in Section 8.3.3, which essentially make it more difficult to transfer ownership of a plot to a bank if the borrower defaults on the loan. The individual, as we noted in Sections 4.3 and 4.6.1, is expected to raise such funds generally through private sources or unconventional institutions. This does not mean that land as a commodity with exchange value is not fully integrated into the market economy. Rather the banks are unwilling to fund land purchase partly because of the insecurity that may arise if the land is acquired by the government through compulsory purchase (Section 8.3.3).

Ownership of land, especially an urban plot, is a very important starting point in the quest for house ownership through self-build. The banks may, albeit with some reluctance, accept the certificate of occupancy for an urban plot as security for a loan to use for buying materials for self-build, but not that of a rural plot. This is because rural plots are sometimes prone to controversies with regard to their ownership due to the existing land tenure system. Nevertheless, the interpretation of the Land Use Decree concerning "right of occupancy", as regards the use of plots as security for loans and advances (cf. Section 8.3.3) and the difficulties involved in the transfer of this right to a mortgagor, has further weakened the prospects for using an urban plot as security for mortgages from financial institutions. Thus for self-builders, the ownership of an urban plot is a necessary, but not a sufficient condition for a bank loan. Other conditions are discussed in Section 6.4.2 below.

It may be worth noting here that in Nigeria, certificates of occupancy[1] are usually issued for the plot of land on which the house is built and not for a flat or any component part of the building thereof. Hence in Nigeria and Enugu in particular, house numbers are the same as plot numbers. Thus a flat is not really considered as a separate dwelling unit, and it is therefore unlikely that the owner of a tenement block of flats will sell one flat within the block. Similarly, buyers will be unwilling to buy a flat, because they will not be able to obtain a certificate of occupancy of the land in order to establish ownership from the local authority. In a curious way, therefore, although Eastern Nigeria has tenement blocks akin to those so common in the Scottish built environment, it does not have suitable provisions for separate ownership of the flats within them, unlike Scottish law. The traditions and practice on land ownership in this respect are closer to those of England before the 20th. century.

After acquiring an urban plot, the prospective self-builder must decide how to raise the money needed for the construction of the house. The person may decide, after the approval of the building plan by the planning department, to approach a bank for a loan or to raise funds through unconventional means or a mixture of both. If the initial decision is to raise the funds through a housing finance institution, the prospective owner may then approach a bank. It is worth mentioning here that one factor which may deter some prospective owners is the perception that the banks are only accessible to "big men", that is people of some social and

[1]This is the same as the certificate of ownership.

economic eminence. People who do not see themselves as "big men" may not even try to approach any bank for a loan but turn to unconventional institutions for funding. It is also important to note that since it is difficult to get conventional finance, people often simply have to resort to other methods even if it is unsatisfactory.

We shall discuss below how financial institutions take decisions on whom to grant loans. However assuming for the time being that the applicant's request is granted, he or she is given a loan to buy or build their house. Obtaining a bank loan may help a self-builder to construct a house in a much shorter time than through unconventional means. This is because the loan from a conventional institution is generally bigger and is disbursed in larger instalments than the lump sums obtained from unconventional institutions at any given time. However, if the application is not successful, and the individual is still determined to build or buy a house, the person may then decide to use unconventional means by joining one or more of those institutions already discussed in Chapter 5 or some of the others discussed in more detail in Sections 9.2 to 9.5.2 below.

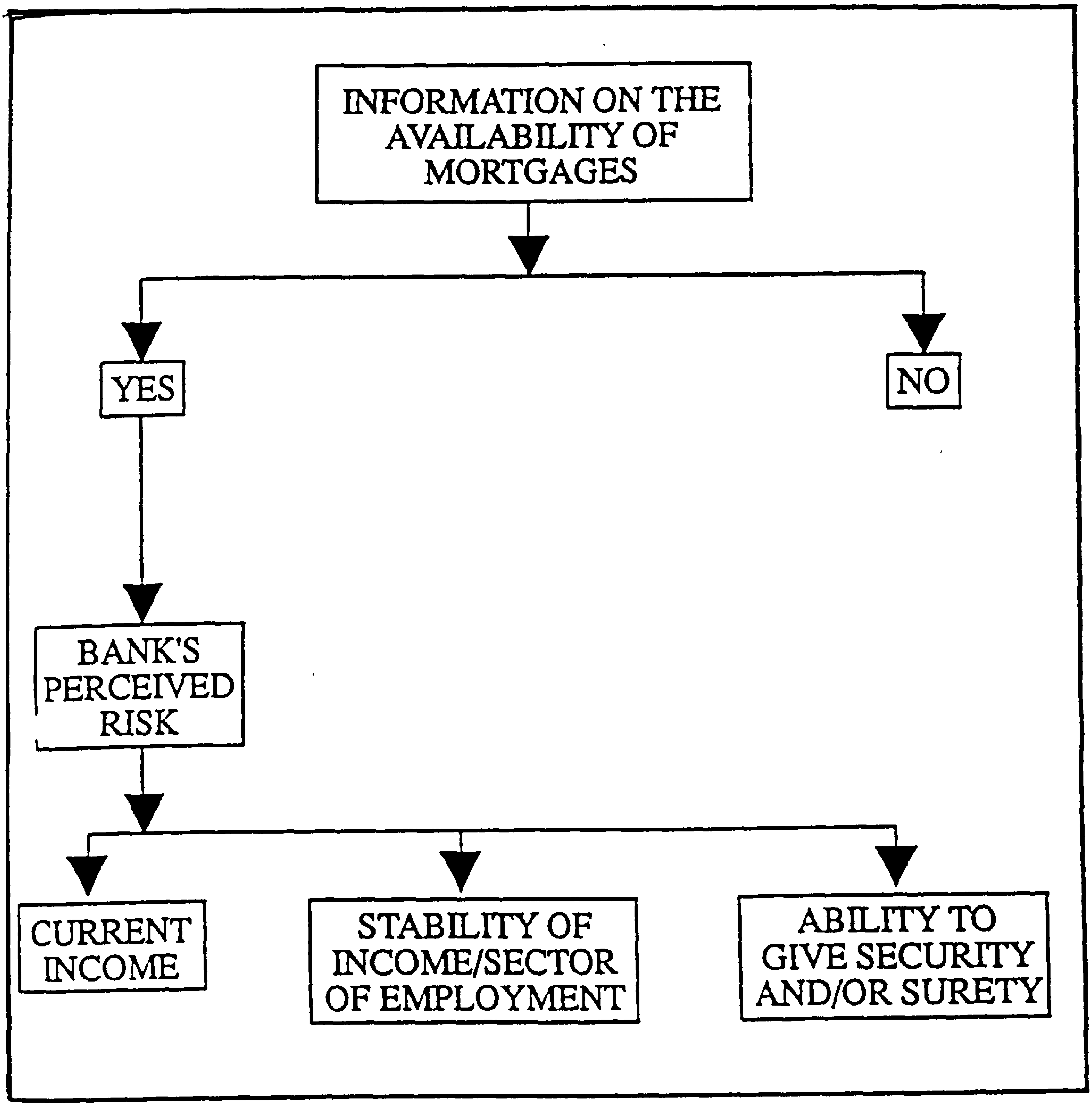
Furthermore, if an individual wants to build a house in the urban centre where he or she lives, but cannot get a plot of land, the person may then decide to build in another town or in their own town or village, where they may easily have access to a plot of land, as noted earlier. Indeed, a large proportion of urbanites who are renters own houses in their respective towns and villages. This helps to satisfy the cultural need to own a house and can be used in the meantime to earn income with the possibility of eventually retiring there. There are also some urban residents who may decide to build a house in another town, not because they could not get an urban plot where they live, but out of choice. Such persons may build houses for renting purposes and are often referred to as 'absentee landlords'.

6.5.1. Decisions by financial institutions to grant or not grant mortgages

Before an individual decides to approach a bank for a mortgage, he or she must be aware that the bank grants mortgages and will probably have some idea of the procedure to obtain one. Lack of information on the availability of mortgages may therefore be a hindrance to the prospective applicant approaching the bank for a loan, a question investigated in the social surveys carried out. Whether a financial institution decides to grant a loan to an applicant may then be determined primarily by the level of risk perceived by the manager of the institution. As indicated in the model below (Figure 6.2), it seems reasonable to expect that the level of perceived risk by the manager of the financial institution may depend mainly on one or all of the following factors :the current income of the applicant; the stability of his or her employment; and his or her ability to provide adequate security and or surety for the loan granted. The effects of these factors on the success in obtaining a loan is therefore one of the main concerns of the social surveys, whose results will be discussed in Chapters 8 and 9.

In most cases, a financial institution will be mainly interested in the security of the loan granted and whether the applicant has the means to repay the loan since managers of financial institutions can usually be assumed to be strongly interested in maximizing profits and protecting their investments. Thus bank managers are likely to determine whether the applicant is capable of repaying the capital and/ or the interest that may accrue on the loan given, based on his or her current monthly or annual income. For example, if the expected monthly or annual income is less than the computed amount of capital and interest repayments, the bank is most unlikely to consider the application, especially if the applicant does not have any other adequate source of extra income. The level of the applicant's current income is therefore probably the main factor likely to influence whether the person is granted a mortgage or not.

Figure 6.2: Conceptual model (simplified) showing access to conventional housing finance in Enugu.



Apart from income, financial institutions may well consider the stability of the applicant's job or employment. There are some jobs that are not stable, even if the pay is high, such as temporary or short-term appointments. In this connection it seems reasonable to assume that financial institutions take cognisance of the applicant's sector of employment while considering his or her application for a mortgage. Hence they may consider the perceived risk higher in private sector applicants than those employees in the public sector. This is because many public sector jobs have long term security and are therefore considered more stable. Conversely, it seems that self employment is perceived to be of higher risk than being an employee. This does not necessarily mean that people in self-employment earn less than employees but that they have apparently less guarantee of future income.

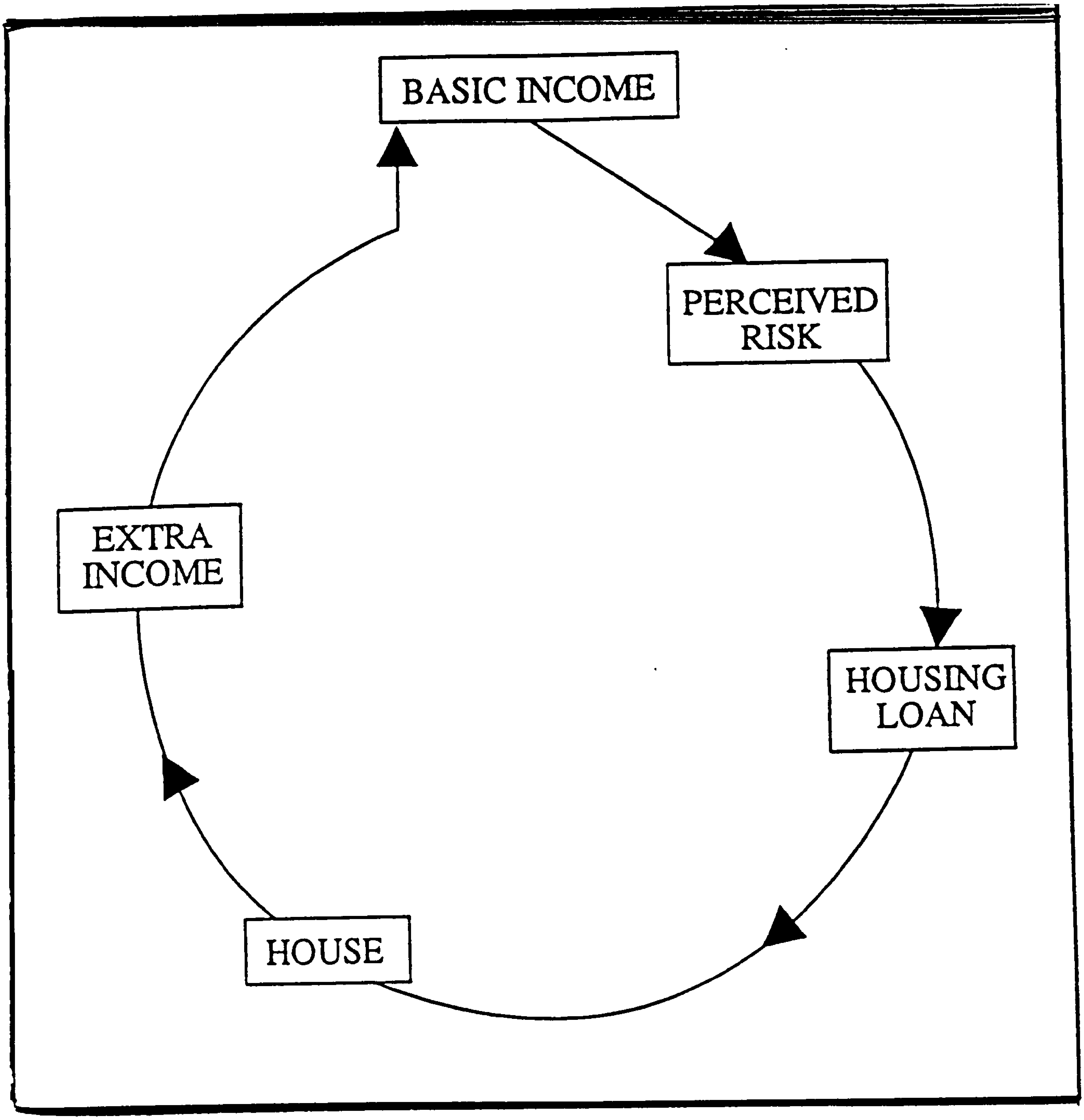
The financial institutions, like other business ventures, must consider carefully the security of any of their investments. As such, it is considered bad business to lend without adequate security and or surety. Hence the decision of the bank manager to demand security or surety from an applicant may further depend on how risky they perceive the applicant to be. Therefore, they will not hesitate to demand as security something whose monetary value, in case of default, is likely to be as high as the loan granted. In some cases, they may well demand not only security, but also surety to guarantee the loan.

It must be noted, however, that a financial institution will be more interested in the security of the loan it provided than in the type of house it is used to build or buy, whether bungalow, tenement block of flats or tenement rooming houses. Nevertheless, the anticipated commercial value of a house may influence the bank's decision to fund it or not. For example, the expected income from, say, a rented house which is expected to improve the net income of the borrower and consequently increases his or her chances of repayment, may marginally influence the decision of the bank to finance it.

In Enugu and eastern Nigeria ownership of an urban house, apart from the prestige it conveys to the owner in Igbo society, is considered a sound investment for an individual or household because of its high renting value. Indeed there are few residential properties which are wholly owner occupied in Enugu or in most Nigerian towns because a large proportion of owners rent out the part of the building which is surplus to their own family requirements. Most houses can therefore in a sense be classified as owner occupied as well as rented because many are acquired by the owners primarily as an investment rather than for urban accommodation per se. Since the high rents arising from the serious shortage of accommodation further enhances the attraction of housing as an investment, in this light, it is perhaps surprising that banks are not more willing to lend money for house ownership.

Thus, in Figure 6.3, it is assumed that the income of the applicant influences the level of risk initially perceived. If a loan is given and the house or part of it is rented out, this will bring in extra income and thus enhances the chances of the borrower to repay the loan. The increased income can therefore be seen as a positive "feedback" which might potentially encourage or persuade the manager that the risk is worth taking.

Figure 6.3: A model (simplified) showing the effect of renting on perceived risk decision.

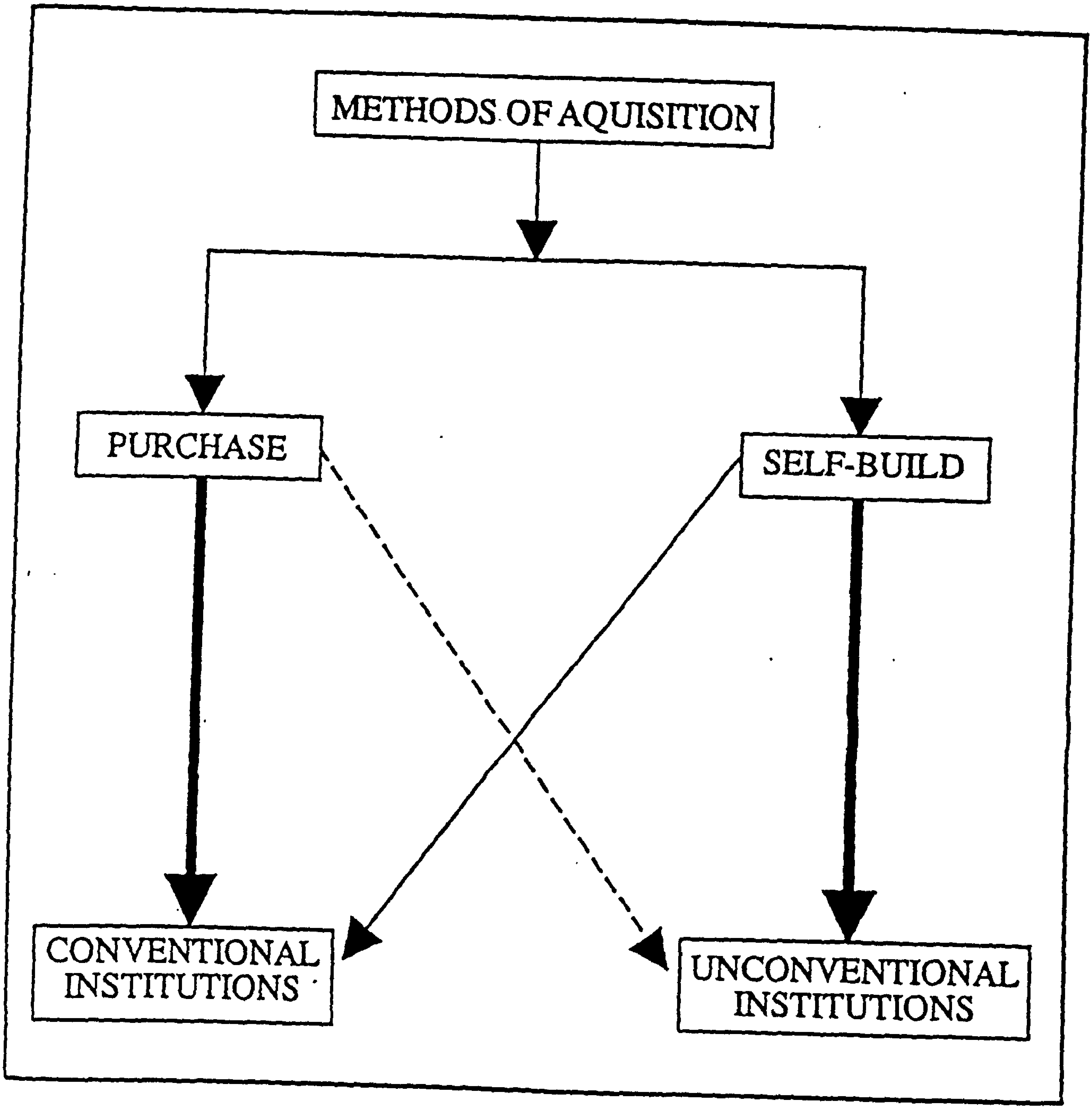


6.5.2. Consequences of the preceding process

Thus we may assume that the banks may fund both self-builders and buyers, provided the applicants satisfy the banks' loan conditions. However, it seems likely that bank managers may be more inclined to fund purchase than self-building because the house for purchase is already completed, and its documents, such as architectural drawings and certificate of occupancy, are ready for the bank to accept as security. In addition, the banks are more likely to provide money for purchase than, for instance, self-build because they are much more certain the money invested is used for the very purpose it is meant for than is the case with self-building where the borrower may divert the money borrowed for other things.

Furthermore, buyers seeking finance are more likely to go to the banks for loans because the amounts of money usually required for purchase are large. From this perspective it would seem that, if purchasers use isusu at all, it would only be of minor importance to them for "topping up" their funds. Thus it seems reasonable to expect that the self interests of the banks and the needs of purchasers taken together are likely to lead to most purchasing being done by bank loans rather than by unconventional methods of finance and conversely that most bank loans used in housing are likely to go to purchasers rather than self-builders. It is worth noting that in Figure 6.4, the bold lines indicate the source individuals seeking to acquire a house either by purchase or through self-build are likely to go to. The thin line indicate the less likely source.

Figure 6.4: Methods of house acquisition and probable sources of finance.



On the other hand, self-builders may go to either or both sources of finance. Those who go to the banks will need to meet the banks' loan conditions such as the provision of adequate security, stable income and employment, and/or acceptable surety. This group of self-builders will include people who may want a second house and are therefore able to provide adequate security using their first house. Hence first time builders or those who cannot meet the banks' loan requirements are more likely to look to unconventional sources of finance for funding (Figure 6.4).

As a corollary, unconventional institutions seem much more likely to be used mainly to fund self-builders because self-build often involves construction by instalments, except when there is a large sum of money for the purchase of building materials and payment for labour. One direct consequence of this as Okpala (1980) estimated, is that the mean construction period in Enugu was about one year, that about one-quarter of buildings started took at least two years to get completed and 10% took six or more years. In addition, the lump sum of money usually provided through unconventional sources, while being enough to buy certain bits of building material for construction or part payment for labour, would seem to be very unlikely to be enough to pay for the purchase of a house.

Figure 6.4 summarizes the postulated relationships between the methods of house acquisition and sources of funds. The relationships outlined in this diagram can be regarded as a simple schematic model or framework outlining the main ways in which conventional and unconventional finance are likely to be used. Partly to test this 'model' against reality we shall examine in greater depth the part each of these institutions, conventional and unconventional, plays in providing urban housing finance to the residents of Enugu, through the analysis of the social surveys which were carried out and whose results will be discussed in chapters 8 and 9. As formulated here, this model takes no real account of the possibility that individuals may be combine conventional and unconventional finance or may combine different types of unconventional finance, points which will be considered in Chapter 9.

6.6. Summary

Although the Turner - Burgess debate may not have a direct bearing on the methods and institutions of housing finance, which is the main focus of this thesis, their contrasting philosophies provide other perspectives from which housing generally and the self-buider in particular can be viewed. An individual must be certain whether he or she wishes to own an urban house or merely needs accommodation before deciding to build, buy, or rent a house. Also the decision to approach a bank for a loan may partly depend on the information available to prospective applicants. It may also depend on how they (the applicants) perceive their own social status as regards their eligibility for bank loans. Nevertheless, if prospective applicants are aware of and have the need for a mortgage, they may then approach a bank for a loan, in which case the bank may decide whether to grant a mortgage, depending on how it perceives the risk associated with the individual applicant.

It seems reasonable to expect that perceived risks will be determined by the current income of the applicant, his or her stability of income, sector of employment and the ability to give security and/ or surety to guarantee the loan. If, however, the individual fails to get a mortgage from a conventional institution, he or she may decide to use unconventional means of finance to construct his or her house. It therefore seems reasonable to expect that, while the banks provide funds for purchase, most but not all self-builders will look to unconventional sources for housing finance. Thus it can be seen that the two methods, conventional and unconventional, are often likely to have different but also sometimes complementary roles and thus may even overlap in providing prospective landlords with housing finance in Enugu. The role of each of the two types of finance institutions identified above as regards the provision of urban housing was the main concern of the field surveys. Thus the framework put forward in this chapter has provided a series of broad hypotheses and general conclusions which were tested in the field through social surveys of owner occupiers and landlords as well as tenants. These results form the basis of Chapters 8 and 9.

Chapter 7
Enugu: origin and growth

7.1. Introduction

This chapter presents a brief review of the growth and development of Enugu, with particular regard to residential housing supply in both the public and private sectors. This is important not only in providing the research with appropriate background information about the case study area, Enugu, but also in helping to set the scene for the main analysis. Enugu was chosen for the case study for a number of reasons. Firstly, as a modern urban centre, it is a melting pot of traditional culture and modern trends, and of conventional and unconventional methods of housing finance. Secondly, as a coal mining town, the employment opportunities in Enugu coupled with the ease of access by rail and road from different parts of the country make it an important commercial and industrial centre. As such, it attracts the unemployed and people engaged in trade and commerce from different parts of the country (Ajaegbu, 1976). Thirdly, like Ibadan and Kaduna, Enugu was once a regional capital, and therefore an important regional growth centre, influencing all parts of Nigeria especially east of the Niger river and south of the Benue (Mabogunje, 1968). Thus, the review of the origin and growth of Enugu is important as it reveals how urbanisation and population pressure have resulted in housing shortage, high rents and subsequently led to the government's attempt to control rent. It also helps to show some of the weaknesses of the existing housing finance system.

7.2. Origin

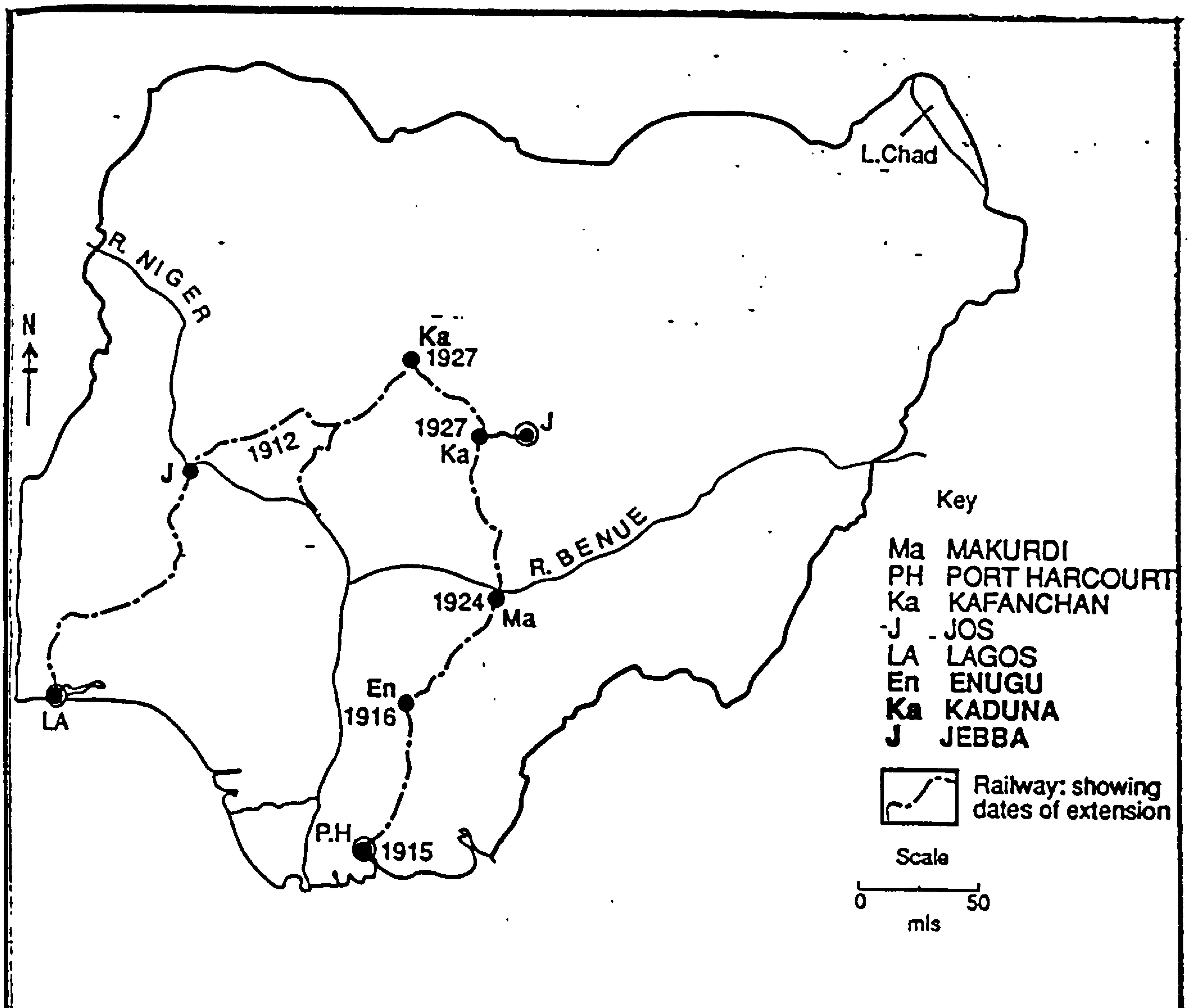
Enugu, which literally means "hill top", is the capital of Anambra state. It is located on the eastern slope of the Udi/Nsukka escarpment, approximately $6^{\circ}20'$ north and $7^{\circ}30'$ east, at about 223 metres above sea level. The modern city of Enugu came into being with the discovery and development of coal in 1909. The first coal mine was located at Udi, a suburb of Enugu in 1913, but later operations moved to the Ogbete area in 1915. This area, which is now commonly referred to as "coal camp", is the oldest and earliest residential district of Enugu. Unlike Ibadan, Zaria, and Kano, which are traditional cities, Enugu is a modern urban development (Mabogunje, 1968). Being a town of recent colonial origin, it grew from a collection of coal mining camps especially after the extension of the eastern railway line in 1916 from Port-Harcourt on the coast, mainly to evacuate coal (O'Connor, 1983). When the railway was later extended to Markudi in 1924, and further to Jos Plateau for the exploitation of tin ore, Enugu became linked to the northern parts of the country (see Figure 7.1).

7.2.1. Urban growth

Enugu in its early years grew mainly as a result of two important factors, namely increased administrative and commercial activities. For example, Enugu became the headquarters of southern provinces in 1929, and in 1951 it was made the capital city of the then eastern region of Nigeria. It was from this period that it assumed its place in the regional setting as a dominant city. Although its area of influence has somewhat diminished since 1967, with the creation of twelve states, and later twenty-one states, it still retained its primacy and became the capital of East Central State and later that of Anambra state after East Central State was divided into two smaller states, Imo and Anambra in 1976.

Enugu's growth could be traced from 1924, when the eastern section of the North-South railway was extended inland and Enugu became the district headquarters of Nigerian Railways with the largest railway workshop.

Figure 7.1: Enugu: Showing early linkages by rail to other parts of Nigeria.



Source : BUCHANAN, K.M. AND PUGH, J.C. (1966 c.1955)

The opening of the railway and the location of the largest workshop of the eastern district in Enugu drew many migrants into the city for employment in the thriving railways and coal mining industry. These activities, and increased in-migration into the town resulted in the need for residential areas for African railway workers and other migrants to the town. In 1923, a small town was founded in Asata, and later Ogui grew in response to the need of the migrants for a market centre for commercial activities and other services (Figure 7.2).

Enugu assumed its administrative responsibilities at the same time that the thriving coal industry and railway services attracted skilled European labour. The European Reservation Area (E.R.A.) was planned and developed in response to Lord Lugards' 1926 and 1927 memoranda which set out the general principles to be followed in the selection of sites for laying out towns and European Reservation Areas in Nigeria (Urquhart, 1977). The memoranda of 1926 and 1927 had set out three new patterns of development which can still be identified not only in Enugu but also in most other colonial administrative centres in Nigeria. In fact a striking feature of any town that served the colonial administration, whether traditional towns such as Sokoto or Ibadan or new towns such as Jos and Enugu, is the Government Reservation Area[1], a townscape of distinct character which differs very little from one town to another (O'Connor, 1983). The Government Reservation Area, is a low density residential area with houses made up mostly of bungalows with gardens. It is usually planned in a rectangular street pattern with good access roads and other amenities. It was and is still mostly occupied by top civil servants in the state service.

The major built-up area in Enugu is divided by natural features like valleys, streams and by the railroad, which cuts a great swath through the middle of the city. The older section of the town which includes Ogbete, Ogui, Asata, Uwani, and the Government Reservation Areas (the same as the European Reservation Area) is made up not only of residential and industrial buildings but also of many small business establishments and shops (Figure 7.2). Other

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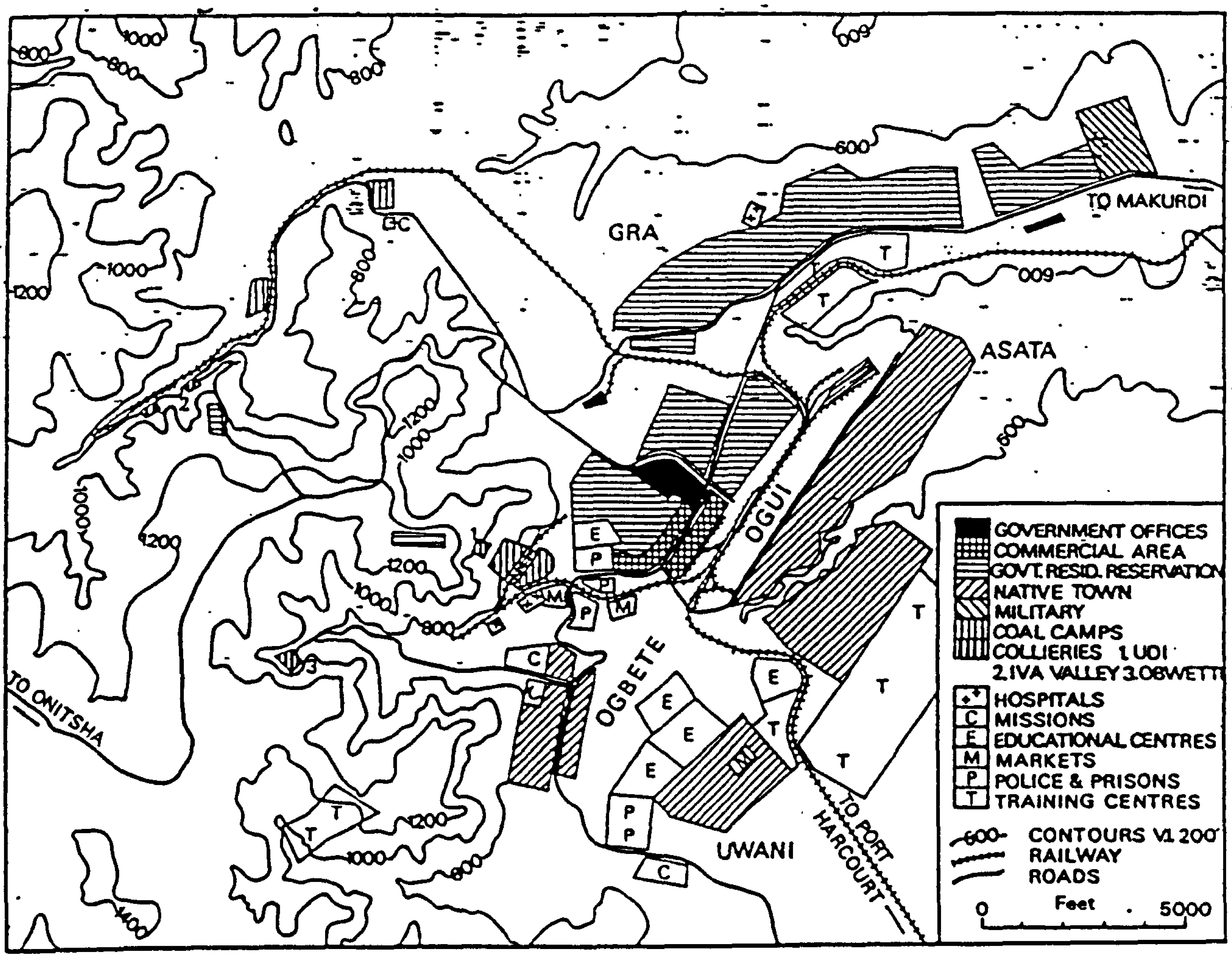
[1]This term is the same as the E.R.A.

quarters include the business, industrial, and railway districts, which were used to separate the European Reservation Areas. Enugu's central business district is located between Ogui and the Government Administrative Offices called the "Secretariat". With the growth and expansion of the city, the central business district has extended towards Uwani (Zik Avenue), Ogui, Ogbete and New Haven (Figure 7.2).

Figure 7.2: Enugu: Showing early growth and development.



Source: Land and People in Nigeria, Buchanan and Pugh, p.75

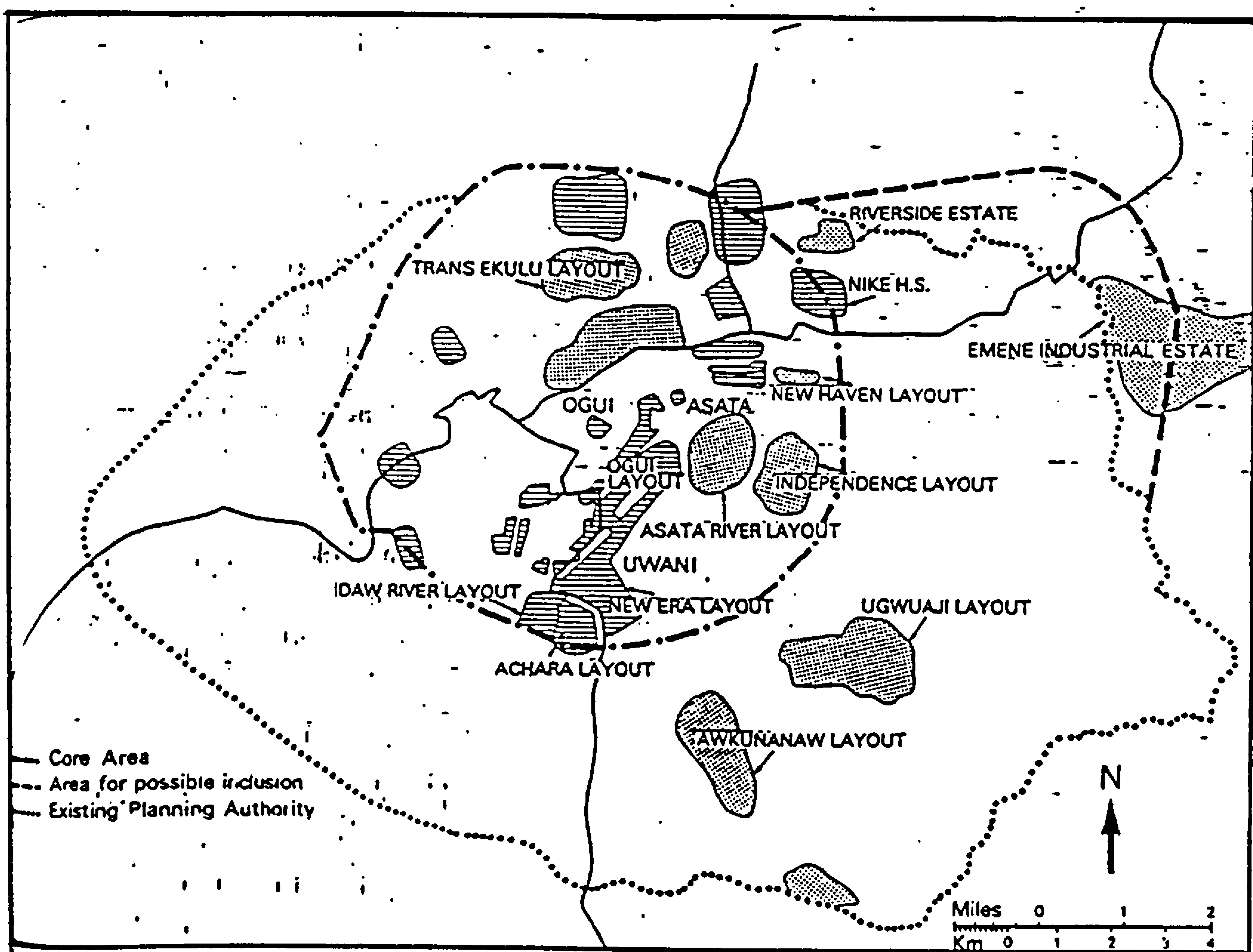
The new layouts[2] (Figure 7.3) have absorbed the rapid expansion of Enugu in such residential districts as Riverside, Independence layout, Ekulu layout, Abakpa-Nike, Aria River layout, New Haven layout, Emene, Ogui-Nike and Uwani northern and southern extensions. Other new layouts such as Republic layouts, Maryland, New Era, Idaw River Extension, and Oriental Estate, are developing fast. An industrial layout is mapped out along the Enugu - Abakaliki road. Between 1963 and 1978, Enugu was estimated to have grown by 8% and such was the growth that the annual urban growth was calculated to be about 0.53% (Doxiadas, 1973). Figure 7.3 shows the growth of Enugu and the new layouts by 1976.

7.2.2. Population growth and its impact on urban condition

The population of Enugu grew from 63,000 in 1953 to 138,000 in 1963. It was further estimated to have increased to 350,000 by 1978 and 693,513 by 1988 (Doxiadas, 1973). Apart from natural population increase, the population of Enugu was further increased in 1967 by the massive population movement occasioned by the massacre of the Igbos resident in other parts of Nigeria in 1966 (Paden, 1971). Thus Enugu gained additional population as a result of the return of residents previously living and working elsewhere following this event.

[2]These are planned extensions of the old districts 'laid out' in order to avoid spontaneous developments of a much less regular kind.

Figure 7.3: Enugu: Later development and new layouts (1976)



Source: Concept Ecodesign International

Even after the national crisis, many people were reluctant to migrate outside Igboland because of insecurity and seizure of Igbo properties in other parts of Nigeria as "abandoned property". This increase in population, added to the natural increase and in-migration from the rural environs, increased the pressure on the existing amenities especially housing. Thus the problem of housing supply and residential accommodation, in particular, became a major issue in Enugu.

Moreover, as an industrial and administrative centre at the height of Nigeria's economic growth (1972 - 1980), Enugu witnessed a large in-flow of rural to urban migration. This population growth led to chronic congestion in urban transportation and widespread shortage in services such as housing, water, and electricity (Ajaegbu, 1976; O'Connor, 1983). Many of the services were stretched beyond their original capacity, leading to constant breakdown and a shortage in residential accommodation. The problem created by the shortage in residential accommodation, however, attracted more attention because of its particular importance in an urban setting. For example, while people have supplemented electricity by using paraffin lamps and water with supplies from the streams and natural springs that abound in Enugu, it is difficult, unhealthy and unsafe for anybody to live in the open. Besides, Enugu's population was estimated to be 442,860 in 1985, with an occupancy ratio of 4.0 persons per room, which is almost as high as Lagos and above the national average (Doxiadas, 1973). This further highlighted the seriousness of the shortage of urban (residential) housing and thus placed it as one of the towns most lacking in housing outside Lagos. The shortage in residential accommodation, in addition, created conflicts between the landlords, tenants and the Government which resulted in the Rent Edict discussed below. Moreover, it brought to the fore the difficulties in securing mortgages from financial institutions leading to the search for alternative sources. Thus, Enugu illustrates very well all the problems of housing provision and funding which form the central concern of this thesis.

7.3. Housing supply and residential accommodation

The study of urbanization and its consequences in developing countries has featured in the studies of Safa (1982), Gugler (1988), Lowder (1986), Drakakis-Smith (1981), Gilbert and Gugler (1982), among others. The problems of squatter settlements and shanty towns have received much attention in these studies. Squatter settlements are settlements in which the inhabitants illegally occupy the land and do not pay rent while shanty towns are unplanned and spontaneous settlements which grow before services are provided. While the growth of shanty towns is widespread in Nigeria, that of squatter settlements is not. Although many general studies tend to give the impression that squatter settlements are widespread, the studies of Peil (1976) and Bentsi - Enchill (1965) show that genuine squatter settlements are quite rare. O'Connor, (1983) has likewise criticized the tendency to over-generalize about these urban issues in developing countries.

Squatter settlements are rare in West Africa partly due to the type of land tenure, kinship and extended family system prevailing. In Nigeria for example, land is owned by an individual, family, or community. Before 1978, the Government acquired land for development from the owners after paying due compensation. However, in 1978 the Federal government promulgated the Land Use Decree number 6, which vested the right to develop all land in a state in the Governor of that state. The Governor is thus said to hold such land in trust for the people. The Land Use Decree gave the Governor the jurisdiction over all urban lands in the state as regards permission to develop, while the local land use committee were given immediate responsibility for such rights in rural areas. The Governor's jurisdiction, however, over-rides that of the rural land committee when necessary. While the Land Use Decree eased government access to land for developmental purposes, it did not remove any individual's right to land or customary ownership. Hence any individual or institution who has obtained the right to develop land under this decree still has to purchase it at a price determined by its current (usually agricultural) value. In practice its main significance is that it allows public bodies especially urban councils to purchase and develop peripherial land for urban growth, even if the owners are unwilling to sell, at a price determined essentially by current use. The land use decree is an important factor in explaining the absence of squatter settlements in Nigeria through allowing land to made available legally for urban expansion. Hence residents of shanty towns in Nigerian cities are not squatters since they either own their land or pay rents for it to the landlord. Moreover, the operation of the Land Use Decree means there is very little "vacant" public land for people to squat on, an important contrast with Latin America. It is worth noting that in Enugu, there are no squatter settlements, but there are slums at the out-skirts of the town, especially around Nineth mile corner. These developed due to a concentration of services for the heavy transportation and motor industry there. The occupants of this housing are not squatters because they pay legal rents to the landlords.

Moreover, Peil (1972), Hanna and Hanna (1967), Morril (1963), Flanagan (1977), showed that the extended family plays a crucial role in the process by which individuals become established in the city, hence the absence of squatters. Ethnic organizations offer welfare assistance to new migrants and kinship in particular affords them an established pattern of mutual responsibility, such that new arrivals have places to stay, even if temporary, until they are established. This, in addition to the land tenure system, eliminates squatting, but not the shortage of residential accommodation in Enugu and other Nigerian towns.

In Enugu, the two main sources of urban residential accommodation are the private sector and the public sector. The private sector supplied 80% of the residential housing while the public sector supplied 20% (Okpala, 1980). The government, and or its agencies have been responsible for the provision of rented accommodation for their senior staff by constructing staff quarters or renting from the private sector. Later, during the public housing programmes, it built houses for sale to the public on an owner-occupier basis. As regards the private sector, landlords typically lease urban plots of land for a standard period of 99 years from the government, designed for the construction of houses for either owner occupation, renting or both. This leasing arrangement operated before and after the Land use Decree.

7.3.1. Public sector housing supply.

At first, the Government had concentrated on providing residential accommodation for its senior staff in the Government Reservation Areas. This situation changed after independence in 1960. As the number of senior civil servants increased, the Government responded by renting houses from the private landlords in order to meet the accommodation requirements of the senior staff.

Another measure taken by the government of the former Eastern Region was the creation of the Eastern Nigerian Housing Corporation by law number 3 of 1961. The main aim of the Government in setting up the corporation was:

- to increase the number of houses available for letting or sale to the members of the public, and staff of government departments;
- and to evolve an all workers housing scheme to include senior, medium, and low-income workers (Ekwueme, 1978).

The Corporation had its headquarters outside Enugu at Port Harcourt where its activities were concentrated. However, in Enugu, the corporation's activities were centred at the development of Riverside Housing Estate in Abakpa-nike. The estate was located on a hundred acre site given to the corporation by the regional government for housing development. The corporation erected 200 low and medium cost houses in the first phase of its programme. These were detached and semi - detached bungalows. The houses were sold directly to the public at between 1,240 naira to 2,200 naira on a home ownership basis. These projects were undertaken by the corporation before the civil war (1967 -1970).

After the civil war, the then South-East and Rivers States were carved out of the region. The remaining state - the East Central State, created a Housing Development Authority by Edict Number 12 of 1970 and charged it with the responsibility of development, construction, and management of houses for acquisition and rental by members of the public. The Authority was given powers to undertake the development of housing estates either alone or in association or partnership with other companies, corporations, or bodies. It was thus given powers to enable it to tackle the post war housing need of the state. The Authority projected that in quantitative terms, it would build 10,000 units of houses per year for 10 years in order to meet or narrow the housing deficit in the state and also allow for anticipated annual population increase in the state. The Authority was properly staffed by competent professionals but the government could not give it any substantial grant to carry out its operations. However, the Authority obtained a short term loan of 384,000 naira from a commercial bank with which it constructed 103 housing units at Riverside Housing Estate in Enugu. The houses on completion, were sold directly to the public on a cash payment basis in order to raise money to repay the loan to the commercial bank (Ekwueme, 1978).

In addition to the loan from the commercial bank, the Authority collected a total of 1.8 million naira from prospective house buyers and embarked on another project which aimed at erecting 338 housing units at the same Riverside Estate by July 1975. To reduce cost, the Authority started a policy of awarding a portion of the work to contractors and the other portion by direct construction using its own labour. It took this step because it is generally considered cheaper to build a house by direct labour than through contracting. Thus the Authority was able to build 42 two-bedroom bungalows through this method. It further undertook the construction by conventional direct labour of 30 detached three bedroom storey buildings. Although there were 338 houses planned, due to shortage of funds only 266 or 68.6% of the houses were completed before the project was abandoned. The fact that a quasi-government organisation could not raise enough money from conventional institutions to complete its housing project is a clear manifestation of the lack of funds for the housing sector.

As a result of geo-political changes in Nigeria by 1976, East Central State was divided into Imo and Anambra states. After the creation of Imo state in February 1976, the Anambra state government promulgated a decree in December of the same year establishing Anambra

State Housing Development Corporation. The Corporation was empowered to complete the outstanding work left by the former East Central State Housing Development Authority located in Anambra State. Among the projects was the Riverside Housing Estate at Abakpa - nike. To raise the funds for the project, the Corporation again approached the same bank for another loan. This time it obtained two million naira as a loan and work resumed on the abandoned project. The first set of 42 houses were finished and sold on cash-payment basis by the Corporation because it wanted to recover the funds spent in the construction in order to repay the loan. This method of fund recovery shows that if long term finance is provided for the housing industry, loan recovery may not be a major problem.

Moreover, it shows that people are willing to purchase finished houses on an owner-occupier basis. Buyers, however, were to make individual arrangements for mortgages from financial institutions, since the Corporation did not arrange mortgages for the buyer. This policy eliminated those who could not meet the requirements demanded by the financial houses in granting loans to applicants. For instance, the applicants were required to provide the following:

- legal title to any existing property proposed as security;
- site plan, showing the plot of any land used as security and
- and a certificate of occupancy of the plot of land used as security.

As indicated in the previous chapter, these conditions are difficult for the low and middle-income groups, since they involve paying professional fees to licensed architects and surveyors. In a sense it is also discriminatory because only the rich can afford to pay the high consultancy fees, as well as provide the acceptable security. Policies such as this underly the need to establish other complementary mortgage institutions, which will cater for those unable to use the existing system.

Apart from the Abakpa-nike housing project, the former East Central State Housing Development Authority had acquired an area across river Ekulu also in Enugu to build a new layout. Due to financial constraint, the layout was not developed. However, when the Federal Housing Authority authorized the Anambra State Housing Corporation to act as its agent for the construction of 250 units of houses, being part of the National Housing Scheme, it used the Trans-Ekulu site which was readily available. The houses were made up of one and two bedroom flats, detached and semi-detached apartments and were completed by August 1976. They were not sold but were allocated by ballot following the guidelines issued by the Federal Housing Authority. This is unlike the direct sale on a "first come first served" basis used by the state housing corporation in the sale of its houses. Winners were given the option of purchasing their houses after 3 years of renting and the maximum rent payable by each tenant occupier was 20% of the tenant's gross salary. This made them cheaper than those built by the state housing corporation and the conditions of purchase for owner-occupiers better. Like the state housing corporation, it encouraged owner-occupation, but unlike it, the method of payment differed, thus showing that there is no uniform policy in the existing system.

Apart from the building of houses for sale, the then Eastern Nigerian government owned a real estate company, Real Estate and Investment Company Limited. The company was incorporated in 1960, in accordance with the companies act, with the aim of investing in all aspects of real estate development. The company was wholly owned by the Eastern Nigerian government and its shares were held by the Eastern Nigerian Marketing Board and the Eastern Nigerian Development Corporation. As a purely profit oriented company, its activities extended outside the region.

However, it is the company's contribution to residential housing that is of interest here, especially as it marked a complete departure from other house types and tenures produced through the public sector. For instance, in Enugu the then regional government allocated land to the company at Uwani Southern Extension. On this site, the company erected nine three storey blocks of two bedroom flats, with each block containing six flats, with kitchen and toilet facilities and a further three storey block of three bedroom flats with kitchen and toilets.

On the whole, they provided accommodation for 108 families, who pay rent to the company (Ekwueme, 1978). This type of accommodation is similar to those available in tenement blocks of flats provided by the private sector landlords, but different from that of tenement rooming houses, where the tenants share the facilities available (see glossary).

Although the company was supposed to be profit oriented, rents charged on the apartments were not market rents. This is because the government regarded housing as a social rather than economic good. Moreover, since rents were fixed, they have been eroded in real terms by inflation in the country. Even though the rent was controlled, these houses were occupied by people with high incomes because the system of allocation favoured them and they were given priority. Unlike the other housing projects already discussed, this housing estate is still rented. Its construction, however, provided a headway in the evolution of public housing supply which should have been stepped up to provide an alternative to the private sector housing supply for the renting market. It also showed that public housing projects could be developed and used to provide accommodation at a controlled rent. At present, the housing estate is being managed by the Anambra State Housing Development Corporation.

While it has not been possible to investigate the various government initiatives in housing in Enugu in detail, it seems fairly clear from the information available that nearly all such initiatives have been of little benefit to those on lower incomes or the target groups and that most of the benefits have gone to higher income groups and to the upper grades of the public sector employees. This conclusion broadly accords with Burgess's views (1982) on the role of the state in developing countries.

Thus the total amount of housing provided by the public sector has been relatively small in relation to the overall shortage and public agencies have not always been able to meet their own, possibly rather ambitious targets. This partly reflects the limitations of the government budget available for housing, especially given the Nigerian government's substantial debt burden and the interest payments needed to service it in recent years.

7.3.2. Private sector housing supply

Another important source of housing supply is the private sector. A review of this sector is essential because it reveals the factors that inhibit the supply of urban housing. Moreover, since private landlords supply the bulk of urban housing and invariably influence the pattern of tenure, a critical examination of the sources of their funding is important to this study. Furthermore, while the Government has promoted owner occupation through the construction and sale of houses by its quasi- government organization to members of the public who could afford the purchasing price, the private sector landlords did not build houses purposely for sale. Thus, while the government concentrated in the provision of houses for owner occupation, private sector landlords provided nearly all the houses available for rent.

Moreover, private sector landlords lease urban plots from the government for a period of 99 years, on leasehold, to build houses mostly for renting to the public. The status of urban housing in Anambra state, presented in Table 7.1 below, shows that renting is predominant with 79% of the houses rented, while 13% were owner-occupied and 4% rent free by 1976. Rent free houses are those occupied by friends and relatives of the landlord free of charge. The table further reveals that by 1979, owner-occupation had increased to 25%, while renting decreased to 62% with rent free houses increasing to 11% and those nominally rented[3] decreasing to 2%. The increase in the percentage of owner-occupation is directly related to the government's housing policy which promoted owner-occupation and the general economic growth in the country as a whole during this period.

[3]These are those houses occupied by relatives and/or friends of the landlord, but are charged less than the prevailing rent or just a token fee as rent.

TABLE 7.1:

Urban housing category in Anambra state (1976-1979) by house.

YEAR	% RENTED	% RENT FREE	% NOMINALLY RENTED	% OF OWNER-OCCUPIED
1976	79	4	4	13
1979	62	11	2	25

SOURCE: Federal Office of Statistics Lagos (1980).

In addition, O'Connor (1983) estimated that 80% of the urban population in Enugu lived in rented accommodation, while 20% did not. As the housing supply in Enugu is dominated by the private sector landlords, who own 80% of the houses (Okpala, 1980), the housing market is therefore largely a renting market. Moreover, since Enugu is the state capital and the largest city with a large population of immigrants who tend to be renters, its proportion of renters must be sizeable compared to other cities in the state. Nevertheless, it should be noted that though renting is predominant, people still want to own their houses (Okpala, 1980; Peil, 1988). It may also be worth noting that the debate between Turner and Burgess gave little explicit attention to the role of rented housing, a point which will be discussed further in Section 8.2.4 and which also suggests that the protagonists to the debate gave insufficient attention to West Africa where renting generally appears to be the dominant form of tenure.

Besides, the government policy which required employers of labour to provide their senior employees from the intermediate grade of 07 upwards with staff accommodation encouraged private sector provision of urban housing. For instance this policy led to the hiring of blocks of flats from private sector landlords for periods ranging from one to three years for staff accommodation by employers. Many employers find blocks of flats cheaper to rent than bungalows. Although it eased staff accommodation problems, this practice provided private landlords with large sums of money for possible re-investment in housing construction. Furthermore, it added to the notion that tenement blocks of flats were the more profitable house type to invest in than tenement rooming houses, since the landlords were paid at least one year's rent in advance by the employers. Consequently, it contributed not only to the reconstruction of tenement rooming house types into blocks of flats, but also increased the actual construction of tenement blocks of flats (Figure 7.4).

A key feature of the private provision of housing is that without a well developed housing finance system, many present and prospective landlords still depend on the unconventional housing finance institutions to provide the funds for the construction or purchase of their homes.

Figure 7.4: Block of flats reconstructed from tenement rooming houses

Source: Field work, 1987

Consequently, for many landlords the method of execution is construction by instalments since they only build when there are funds available to pay for labour and building materials. Moreover as many do not have bulk sums of money to engage construction companies, they rely solely on direct labour (by themselves, friends and relatives) to build their houses. The effect on the construction industry of the inaccessibility of the existing housing finance institutions to prospective landlords is immense, resulting in the slow supply of residential accommodation. The most important effect is that it takes a longer period to complete the construction of a house than it would have taken had there been an easily accessible conventional means of finance. As we noted in Section 6.1.3 above, Okpala (1980) estimated that the mean construction period in Enugu was about one year, that about one-quarter of all buildings started took at least two years to get completed and 10% took six or more years. He also estimated that out of 75.5% of building applications approved for construction in Enugu annually, only about 17.2% get completed within the same year. This he partly attributed to lack of adequate finance. Therefore the absence of a functional and viable housing finance system contributes to the slow process of urban housing supply. As such, many residents have to put up with what is affordable and available.

Thus, with delays and a shortfall in supply and a subsequent increase in the demand for accommodation, this situation created the ideal opportunity for landlords to increase their rents. New tenants were expected to pay rent advances of between six months and three years. Old tenants were to pay the rent increases or get evicted. Since the demand for residential accommodation is far greater than the supply, tenants have little choice but to comply. The situation became so critical that the state government felt compelled to introduce the Rent Edict of 1976 in line with a Federal Government directive.

7.3.3. Housing supply and the Rent Edict

The Rent Edict of 1976 was the result of a policy designed by the government to aid the working class and improve the standard of living in the face of constant rent increases by the private landlords. By the introduction of the rent edict, the government aimed at controlling rent levels in all residential buildings in the state. To achieve this, the government introduced the following:

- rent books;
- classification of types of accommodation into three distinct types namely tenement rooming houses, tenement blocks of flats, and bungalows in relation to fixing of rents;
- classification of residential areas into high and low density areas for the purpose of fixing rents;
- fixing of a maximum rent to be paid by workers in the low and middle income groups to be not more than 20% of their annual income and for those in the upper income group to be not more than 25% and
- restriction of rent advances to not more than three months for individuals and one year for institutional tenants.

These criteria brought about some conflicts in the housing market because rents were arbitrarily fixed. Only civil servants who were living in government quarters or in government rented houses benefited from the provisions of the Edict. Those living in private accommodation had to pay the market rent or face eviction by the landlords. The Anambra state edict fixed the rent in Enugu at between a minimum of 6.80 naira and a maximum of 8.00 naira for a standard room[4] per month in houses constructed with stone, burnt brick, or cement block walls and with a good standard of finish. Many landlords resisted this by refusing to advertise vacancies or to take in new tenants at the rate the edict fixed.

To ensure compliance with the edict, rent tribunals were set up. The rent tribunal was to ensure that tenants were not evicted by the landlords and to arbitrate in cases of disagreements over rents. In spite of these measures and even the threat of a compulsory acquisition by the government of any property whose landlord had been fined twice by the Tribunal, many landlords still increased the rents. The actual rents paid in such rooms ranged from between 25.00 naira to 30.00 naira per month, much higher than the level the edict had stipulated and even much higher than the rate that existed before the rent edict. This was possible because

[4]the size of a standard room is ten by twelve feet.

the landlords were a well organized class who were able to act in concert to their own advantage - a point discussed below. In addition, the demand for houses was high, while finance for owner occupation was in short supply (Okpala, 1980). Tenants faced eviction if they refused to pay the increased rents and were further disadvantaged with no access to housing finance.

Furthermore since the rent edict had directly increased rents payable in flats, and reduced those of single rooms in tenement rooming houses, landlords who owned such houses resorted to reconstructing their houses into warehouses or blocks of flats. Such changes from tenement rooming houses not only limited the supply of single room accommodation but the demand and the unofficial but actual rent paid for the available ones rose especially as new migrants arrived. It also provided landlords with the cover to increase their rent or use reconstruction as an excuse to evict the tenant who refused to pay the increased rent. Thus the people most adversely affected were probably those with lowest incomes renting tenement rooming houses who found their supply restricted and actual rents increased substantially.

The rent edict caused some distortion in the housing market. For example, vacancies were no longer advertised. Renters had great difficulty in getting information on the existence of vacancies. Landlords adopted strict and tricky methods of screening prospective tenants. New tenants were required to provide middlemen trusted by the landlord, who will guarantee their good behaviour. Rent receipts when issued carried the controlled rent fixed by the edict when in actual fact the tenant had paid more. By so doing, the landlord was protected from prosecution if any tenant had the temerity to report the increase to the tribunal. This situation was followed by the formation of Landlords' Association by landlords in Enugu to aid one another, and protect their common interests by lobbying the government on policies that were not in their interest.

7.4. Summary

The attempt by the government to increase urban housing supply by direct construction created a 'class' of urban residents - owner occupiers. In addition, the rent control edict unified the landlords into another 'class' different from the tenants. The three classes had been identified by Saunders (1986) as discussed earlier in Chapter 2 and are fundamental to the analysis of Enugu in Chapters Eight and Nine.

Moreover, the failure of the rent control edict exposed the weakness in the policy of controlling rents in a housing market where the private landlord is the major supplier of urban housing, accommodation is very scarce and the sources of housing finance are not accessible to many potential borrowers. It further suggests that controlling rent is not the only solution to the housing problem in Enugu nor by any means the best one. By analysing the data from the survey in the next two chapters (8 and 9), we shall now examine the role of conventional and unconventional finance institutions in providing funds to the landlords or owners-occupiers in Enugu and thereby assess the contributions of these sources of finance to expansion of the housing supply.

Chapter 8
Access to and use of conventional of housing finance in Enugu

8.1. Introduction

As indicated in Chapters 5 and 7 there are two main sources of housing finance in Enugu, namely conventional and unconventional institutions. The conventional institutions include the deposit taking institutions like the branches of the commercial banks, the savings and loans department of the Anambra State Housing Development Corporation, and the state branch of the Federal Mortgage Bank. Unconventional institutions are those informal financial institutions that have their origins in the traditions and socio - cultural life of the indigenous population. Although the main focus of this chapter is on the contributions of conventional institutions to housing finance, some of the general characteristics of housing in Enugu are discussed first in order to provide some background to the analysis.

The discussion of how conventional finance is used is mainly based on data from the surveys of landlords and tenants carried out during the fieldwork. These surveys were broadly concerned with examining the relationships between different urban social groups and their access to housing finance. In this thesis, the household survey is also referred to as the 'tenants' survey. A particular concern of the surveys was the relationship between the use of funds from conventional institutions and such factors as house type, income, tenure pattern and sector of employment of the respondents. The way landlords and tenants used unconventional institutions is discussed mainly in Chapter Nine.

It may be helpful to outline the main aims of the fieldwork which were :

- to identify and describe the existing housing finance system and associated institutions in Nigeria;
- to assess the role and accessibility of conventional housing finance institutions to

all classes of urbanites and what obstacles they encounter in obtaining access to finance;

- to identify the alternative sources of housing finance in Enugu and examine how they are used and what problems potential users may have in obtaining access.

In order to build up a more detailed picture of how accessible the main sources of finance are to users and to potential users, the questions in the social surveys largely centred on the following topics:

1. means of house ownership or acquisition;
2. source(s) of finance for housing purchase, or construction;
3. the access to housing finance of different social groups;
4. amount applied for and received, if a housing loan was used;
5. difficulties encountered by landlords and tenants while making loan applications to conventional institutions;
6. sources and amounts of loans used if repairs have been carried out;
7. the use by landlords and tenants of unconventional housing finance institutions;
8. membership of community-based organizations, and whether housing loans were sought from such organizations;
9. saving habits of the landlords and tenants and source(s) of income;
10. and relationships between tenants and housing finance institutions.

8.1.1. Organization and methodology of fieldwork and surveys

The methodology employed in this evaluation included the use of two social surveys each based on a standard interview schedule, designed to elicit the information required from landlords/owner-occupiers[1] and from tenants[2]. The interview schedules for the two surveys are given, respectively, in Appendix A and B; an outline of the fieldwork methodology, procedure and some of the problems encountered is given in Appendix D.

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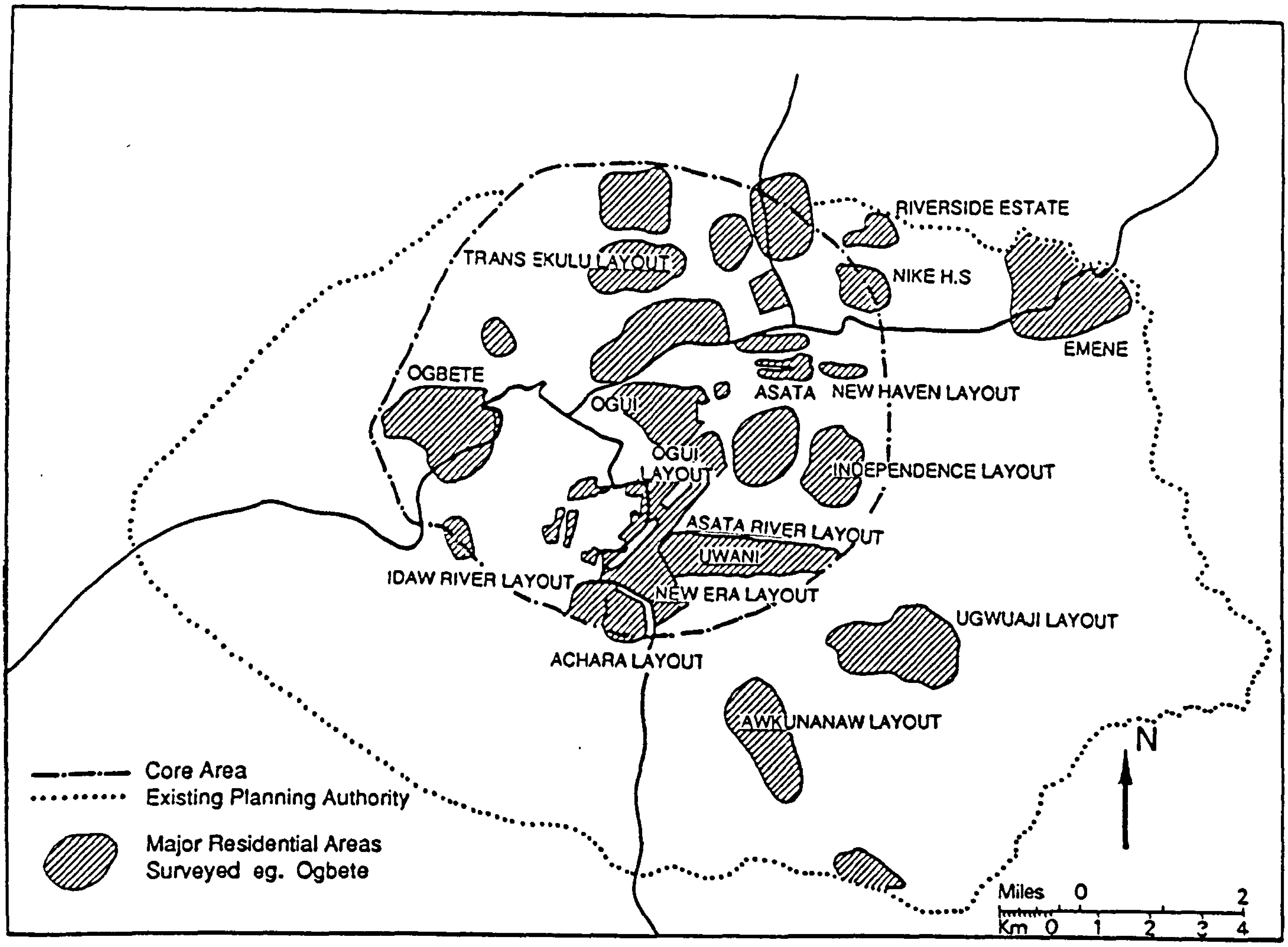
[1]See appendix A

[2]See appendix B

For sampling purposes, Enugu was divided into 13 zones according to the existing demarcation used by the planning authority - Enugu Urban Municipal Council. The survey aimed to collect a sample of 40 landlords/owner occupiers and 40 tenants from each zone or township. Figure 8.1 below, shows the residential areas surveyed during the fieldwork. In the landlord's survey, a systematic random sampling procedure was used. With this method, the first sample member in a particular district is selected from the Housing List by a random number and subsequent members are selected according to a fixed sampling interval. This interval is determined by dividing the total number of houses on the list by the required sample size. In order to select the first random number, a dice was thrown twice. The outcome of the first throw was chosen as the row number and the outcome of the second throw was chosen as the column number in a table of random numbers. The number at the intersection of the two points was chosen as the first sample member and the others were selected according to the fixed interval. Individual landlords or owner occupiers were drawn without replacement from the housing list, beginning with the first sample member. Some could therefore be drawn again, though in these surveys, none was drawn a second time. The whole experiment was repeated for each of the 13 townships in Enugu. The Housing List is the official document from the Enugu Urban Planning Authority which shows the location, plot/house number, name and address of the landlord, the year the house was started and whether it has been completed or not.

The tenant survey differed because it entailed a two step procedure, in which a house was at first chosen randomly from the housing list in the same way as before. After selecting the house, a pair of dice was used to select a household from the actual number occupying the house at the time of the survey. On the whole, 477 landlords/owner-occupiers and 494 tenants were interviewed. The respondents - landlords and heads of households co-operated with us during the survey period especially as we presented letters from the authorities to show that the information we sought after was for research purposes only (see Appendix D, for details).

Figure 8.1: Residential townships surveyed in Enugu.



Source : Field Work 1987

These methods may have given rise to some bias since the housing list was not comprehensive. For example, between 1985 when the housing list was compiled and 1987 when the fieldwork was carried out, some houses were pulled down, while others were built. Similarly, some households have moved out, while others have moved in. Moreover, the proportion and types of the new houses are not known. The new houses and people living in them may therefore have been under-represented in the survey. The housing list may have been out-dated and may not therefore be ideal as a basis for providing unbiased samples. If this new housing which is under represented, contains disproportionate numbers of, say, a particular social or age group they will be under represented in the sample. On the other hand, the author has no evidence from fieldwork or from his knowledge of the city to contradict the assumption that this newer housing broadly contains a fairly typical cross section of the population. Furthermore, the bigger districts may have been under-represented since equal samples were drawn from each district irrespective of size and population of houses. These methods were used because it was not possible to carry out a fresh housing census, given the time and money available for the research[3]. In addition, a survey of members of of 'daily' small savers schemes based on unstructured interview was used to obtain additional information on the use of this form of finance.

The analysis of data was carried out using a computer package - Statistical Package for Social Sciences X (SPSS X). The broad pattern of analysis was that, firstly information was sought by obtaining the frequency distribution of the values for the main variables. Secondly, the relationships between key variables were examined, initially by cross tabulation and then by the use of chi-square and regression analysis where appropriate.

To complement the largely quantitative approach of the two main surveys, qualitative analysis was used in the study of small saver schemes. For example, *isusu* groups were studied through attending their meetings as a non-participant observer and having informal interviews with the officials and members alike. Informal interviews with bank managers and policy makers in the private and public sectors were also conducted. In addition, 5 daily

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[3]See appendix D for details

collectors and 50 participants in the daily small saver schemes were interviewed with structured questionnaires (Appendix C) at their meeting places. These sources were useful in providing attitudinal and other forms of subjective information. Another means through which data and information were obtained included government published statistics and financial data from the Central Bank of Nigeria on financial institutions especially as this related to housing.

8.1.2. Structure of main findings

In this chapter, major findings are discussed under the following sections:

1. general housing characteristics in which topics such as house type, accommodation size, tenure pattern, household mobility and method of acquisition are described and discussed;
2. sources of housing finance, which examines subjects such as differences in the access to funding of people in different income groups and sectors of employment.

Other topics like housing construction and repairs are also discussed because they help to make the picture of the housing situation in Enugu clearer. It is by examining these topics that the relationships between them and the housing finance institutions are highlighted.

8.2. General housing characteristics

Before discussing house types in Enugu, it is worthwhile to briefly examine the contrasts that exist in urban housing between and within developing countries. This is important because some studies in urban housing in developing countries have tended to present a very general view of urban housing, without any reference to the striking differences existing between the different continents, countries and even peoples. For example, Turner (1976) classified house types in developing countries into three, namely private, public and popular house types. His definition of private housing, which is housing legally owned by the landlord, and of public housing as that provided by the government or by quasi-governmental agencies both have clear and obvious equivalents in Enugu.

One contrast however, is that in Nigeria, there are house types which are between public and private housing. Such house types include self-build houses constructed on serviced plots provided by the government and houses that are provided by the employer for their employees. The latter are rented from the private sector landlords by public bodies for their intermediate and senior employees.

Moreover, Turner's classification of 'popular' housing, which includes houses built by the owners on illegally occupied plots does not really apply in Nigeria. As noted in Chapter 7, in most of urban West Africa, and indeed in Nigeria, there are very few illegal squatters as they exist in South America (Bentsi-Enchill, 1965; Peil, 1976). In Nigeria, where land ownership is in the form of traditional or family ownership, before and after the promulgation of the Land Use Decree (1976), there was and is little vacant "government" land, in contrast to the situation in South American countries, for squatters to occupy illegally. As we noted in Sections 6.4 and 7.3 above, traditional organisations and kinship in particular take care of new migrants as they arrive in the city.

If, however, "popular" housing is taken to be the rough equivalent of private house types, or to include houses constructed by the owner, in Enugu it may include all private self-build houses. This is because the term "self-build" is used locally to describe all houses where the owner is responsible for the supply and ownership of the plot involved and the construction thereon of the house. Self-build in Nigeria, therefore differs from self-build in, say, South America because self-builders in Nigeria acquire urban plots from the municipal council generally on leasehold for 99 years and receive approval from the planning department before building. In this study, self-build houses, will include the following:

1. a house largely constructed by the owner, who may hire skilled labour for the complex jobs;
2. a house in which the owner hires skilled labour for the construction while supplying the building materials as well as supervising the job;
3. and where the owner hires the services of a skilled builder or company that builds the house to his or her specifications.

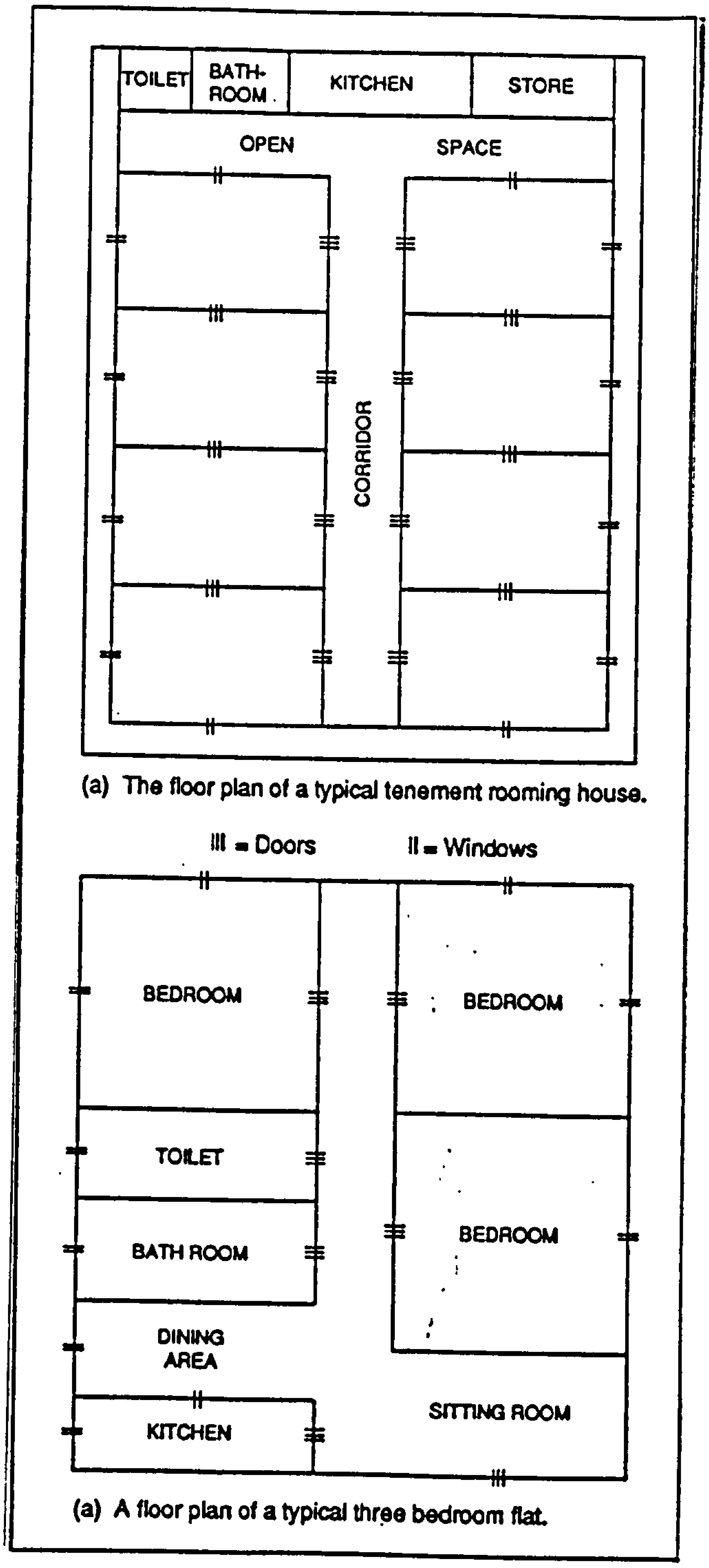
Other differences between urban housing in developing countries can be seen in the type of inner-city houses discussed by Gilbert and Ward (1978) and Drakakis-Smith (1981), which are not yet existing in most African cities. For example, the high rise blocks of flats described by Dwyer (1975) in Singapore, Hong Kong or Caracas are absent in most African cities and in Enugu in particular. These urban contrasts are, however, being reduced as some African cities develop new layouts or suburbs. Thus, even though studies such as those carried out by Ward (1981), Dwyer (1975) and Drakakis-Smith (1981), tend to generalize about house types in developing countries, there are clearly important contrasts between African, Asian and South American cities especially with regards to means of ownership of housing, land and access to housing finance institutions. It is worth emphasizing that discussions of house types in developing countries should take account of these differences.

8.2.1. House types

House types in Enugu are thus classified not as in Turner (1976), but basically into three categories, namely, tenement rooming houses, tenement blocks of flats, and bungalows. These are the dominant house types that are easily identified in the urban landscape due to the differences in their structural plans. For example, tenement rooming houses are always one storey and usually have eight to ten rooms located on either side of a corridor. They are often occupied by several households with each household typically occupying one or more rooms and sharing kitchen, bathroom and toilet facilities. These are different from tenement blocks of flats (see glossary) which are multi-family houses, but are partitioned into self contained apartments or flats and are usually of two or more storeys. Also different are bungalows which are one storey single family houses. Figure 8.2, for example, shows the differences between the floor plan of a typical tenement rooming house and a flat in a tenement block of flats.

These terms are also the classifications that are commonly used in every day speech in Enugu so these terms have the extra advantage that they are readily understood by the respondents in the survey. Moreover, structural plans are the most visible means of differentiation as they expose the contrasts in design and types of the houses, especially as there are few differences in the type of materials used in their construction. These classifications are, however, based on the differences in the floor plans and physical structure of the houses, rather than the means through which they were acquired.

Figure 8.2: Sketch diagram of two common house types in Enugu.



This classification also has some significance for perceived social status and for residential preferences in Enugu because in Eastern Nigeria (indeed most of the rest of Nigeria) it seems clear to the author as someone who has lived in Enugu for over five years, that most people assume that the occupant of an urban bungalow will be higher on the social ladder than that of a flat, though as will be noted below, there are some interesting exceptions to that general tendency. Likewise, the occupant of a flat is normally assumed to be higher than that of a tenement rooming house. Moreover, the survey of landlords in Enugu, shows that among those in the lowest income category, 1.8% are occupying bungalows, while 7.3% and 90.9% are occupying tenement blocks of flats and tenement rooming houses respectively. For those in income category two, 2.1% of the landlords are living in bungalows, 3.1% in tenement blocks of flats and 94.8% in tenement rooming houses. The data for landlords in income category three further shows that 14.6% of them are occupying bungalows with 20.8% in tenement blocks of flats and 64.6% in tenement rooming houses. For landlords in income categories four and five, 18.1% and 38.4% are occupying bungalows while 30.1% and 50.6% live in tenement blocks of flats and 44.8% and 11.0% in tenement rooming houses. There are, therefore, more landlords in the lower income group who are living in tenement rooming houses than in tenement blocks of flats and bungalows while more landlords in the higher income categories (four and five) live in bungalows and tenement blocks of flats than in tenement rooming houses. It has in fact been argued that it is the high and middle income groups who seem to place greater emphasis on the more spacious Western style accommodation, such as flats and bungalows as an indicator of social status (O'Connor, 1983).

It is worth noting, however, that there are some occupants of tenement rooming houses who can afford to rent a flat or bungalow, but still prefer to live in the tenement rooming house, especially if it is their family house. This group includes the owner-occupiers of such houses or businessmen who choose not to live far from their business premises. There are still others who may prefer to rent a room in the town, in order to save money to build a "modern" house in their village, especially if it will enhance their social status there. These complexities are evident in Enugu as in other Nigerian towns, and should be borne in mind before any attempt is made to generalize about the relationship between house types and social status in Nigeria.

In the present study, the landlords' survey shows that 19.9% of the houses surveyed are bungalows, 30.0% are tenement blocks of flats, while tenement rooming houses form 50.1%. Likewise, the tenants/households survey identified the house types in the proportion of 22.3%, 28.5%, and 49.2% respectively. In both surveys, tenement rooming houses are clearly the most common house type, followed by tenement blocks of flats. As a starting point in our attempt to determine how the funds for their ownership were raised, we can now examine the relationship between house types and the means through which they were acquired.

8.2.2. Methods of acquisition

There are three different methods of acquisition identified in the study (question 2 in the survey of landlords). These are self-build, inherited, and purchase. In Eastern Nigeria, inherited houses most often remain the common property of the survivors. Sometimes they are rented out while there are some families who live in theirs as owner-occupiers. This point should also be noted in relation to Tables 8.9, 9.8 and 9.9 below. Purchased houses, are different from self-build ones, in that the owners buy already finished houses in which they took no part in the planning or construction, while in all cases of self-build, the owners lease or buy the land before building on it. Table 8.1 shows the relative popularity of the three methods of acquisition as a proportion of the total for each house type. From the table, it can be seen that self-build is the dominant means of acquisition, accounting for 78.4% of the total for all house types, with inherit and purchase being only 8.8% and 12.8% respectively.

Table 8.1:Cross-tabulation of methods of acquisition by house types.

	self build	inherit	purchase	Row Total
bungalow	42	1	52	95
	44.2%	1.1%	54.7%	100%
t.block of flats	136	2	5	143
	95.1%	1.4%	3.5%	100%
t.rooming house	196	39	4	239
	82.0%	16.3%	1.7%	100%
Column Total	374	42	61	477
	78.4%	8.8%	12.8%	100.0%

Apart from the differences explained above, self-build also include the method through which un-registered builders, organized by foremen who are either self-employed or legitimately employed by the owners and or architects, are engaged to construct houses which in every respect comply with the legal and social standards in the city (Lomnite, 1977; Stretton, 1978). There are, in addition, real estate companies, which build houses on direct commission from owners, architects or the government, rather than on speculation. In this case when the owner engages the services of a building company that builds the house to his or her specifications, it is self-build as different from a purchased house. Speculative builders, however, are virtually absent in most Nigerian cities and this has contributed to the increased use of self-build as a means of acquiring a home. The self-build method also suits landlords who build in increments as funds become available. Moreover, incremental construction is ideal for a housing market that lacks an efficient housing finance system or where access to housing finance is limited to only a certain class of urban dwellers. Speculative builders, in contrast, thrive in a housing market where there is access to financial institutions, from which borrowers can obtain funding for houses purchased. Knox (1982) discusses how these institutions have influenced the physical characteristics of most Western cities by providing large tracts of standardized dwellings. They are able to do so, because of the existence of efficient and accessible housing finance institutions which provide borrowers with 80% to 90% of the funds required to buy their houses after making the initial down payment (Balchin, 1981;Boleat, 1985). Their absence in Enugu may also have contributed to the limited activity in the housing purchase market, hence the domination by self-build. It is interesting to note here that self-build houses are characterized by contrasting styles in their architecture and design, as shown in Enugu, which is a direct contrast to the custom built houses, with similar designs often found in most Western cities that are influenced by speculative builders.

Since it would be difficult in Enugu for private speculative developers to sell any finished housing units, without adequate financial arrangements between them and the buyers, they are most unlikely to set up any business. The result, as we noted in Section 7.3.2, is that the housing market in Enugu is dominated by the renting sector, especially as most houses are acquired through self-build, and often then let in whole or in part to a tenant or tenants.

When method of acquisition is crosstabulated against house types (question 1 in the survey of landlords), the striking feature is clearly the different pattern of acquisition of bungalows compared to the other two house types (Table 8.1). For example, the table shows that self-build accounts for 44.2% of all bungalows, 95.1% of tenement blocks of flats, and 82.0% of tenement rooming houses. There is therefore a much higher proportion of tenement blocks of flats and tenement rooming houses, acquired through self-build, than bungalows. As regards purchase, whereas 54.7% of all bungalows were acquired in this way, only 3.5% and 1.7% of all tenement blocks of flats and rooming houses respectively were obtained by purchase. On the other hand, inheritance is a little more significant under tenement rooming houses, where it accounted for 16.3% of that house type. The proportion of inherited houses is larger in this category probably because this is the oldest indigenous house type to be built and more of these are therefore likely to have elderly owners.

Although acquisition through inheritance does not require institutional finance to take effect, except perhaps when repairs are involved, inherited houses are nevertheless included in this survey because the present owners were able to supply much information that is relevant to other aspects of the research.

Further analysis of the relationships between the house types and the means of acquisition is presented in Table 8.2 below, in the form of a chi-square analysis testing a hypothesis that there is no relationship between house types and means of acquisition. In this chi-square table and subsequent ones in this chapter, the observed values are given first in each cell, followed by the expected value and then the value as a percentage of the row total for the variable under consideration. The margin totals show the row totals, followed by this total as a percentage of the total sample size and then the total for the row percentages (always 100%). In subsequent chi-square tables, because of the large sample population, virtually all the cells in the tables have expected frequencies greater than 5 and therefore meet the main requirement of the chi-square test. The number of cells with expected frequencies less than 5 will therefore only be given when such an event does occur in a particular table. It is also worth noting that in all cases the null hypothesis assumes that there are no relationships between the variables under consideration.

In Table 8.2 the chi-square test confirms that the differences in the patterns of acquisition are indeed statistically significant at 0.05%. This statistical significance seems to have arisen mainly from the fact that the observed values are higher than the expected values for bungalows purchased and for tenement blocks of flats and tenement rooming houses that were acquired through self-build. As we noted in chapter 6, high income earners seem more likely to have access to bank loans with which to buy houses on sale, mostly bungalows. From this table, it can also be seen that a substantial number of bungalows are produced by self-build hence not all are purchased. Equally interesting is the fact that self-build as a means of acquisition is used in producing (by instalments) large structures such as tenement blocks of flats and tenement rooming houses as well as small ones like bungalows. Self-build is therefore an effective means of construction, though not necessarily always a quick one. It is also worth noting that the low proportion of inherited housing partly reflects the high level of in migration to Enugu.

Table 8.2: Relationship between house types and means of acquisition (landlords' survey).

	self build	inherit	purchase	Row Total
bungalow	42 74.5 44.2%	1 8.4 1.1%	52 12.1 54.7%	95 19.9% 100.0%
t.block of flats	136 112.1 95.1%	2 12.6 1.4%	5 18.3 3.5%	143 30.0% 100.0%
t.rooming house	196 187.4 82.0%	39 21.0 16.3%	4 30.6 1.7%	239 50.1% 100.0%
Column Total	374 78.4%	42 8.8%	61 12.8%	477 100.0%

Chi-square	D.F.	Min. Exp. Freq.	Cells with E.F.<5
213.8266	4	8.365	none

At 0.05%, the critical value of chi-square = 19.998

D.F. = Degrees of freedom.

As we noted in Section 7.3.1 above, the bungalows purchased were mainly houses built by the government during its public housing programme, or by the state housing corporation, and subsequently sold to the public on an owner-occupier basis. While the government provided bungalows, which are principally more spacious single family dwellings, private landlords supplied mostly tenement rooming houses and tenement blocks of flats, which are multi-family buildings and differ in size from bungalows. Tenement rooming houses are especially tight as regards space, because most tenants/households live in single rooms (as shown in Table 8.3 below) and share such amenities as the toilet, kitchen, and bathroom, with other tenants. There are, however, others who hire two or more rooms, thus creating situations where different accommodation sizes can exist within one tenement rooming house.

8.2.3. Accommodation sizes

A discussion of accommodation sizes is important, especially in relation to households who live in rented accommodation and pay rent according to the size of the accommodation they are occupying. In addition, how much renters are willing to spend from their income as rent has an important bearing on housing finance. Likewise, the size of accommodation occupied by landlords and owner occupiers is sometimes determined by the amount and availability of finance accessible to them. Moreover, differences in accommodation sizes are an important part of any discussion of urban characteristics, since they vary from household to household and urban class to urban class. Table 8.3 below shows the different sizes of accommodation identified during the tenant/household survey in Enugu (question 5 in the household survey). From this table, it can be seen that just over half of the households interviewed live in single rooms most of which are in tenement rooming houses, as is clear from Table 8.2. Since households infrequently consist of between 4 to 6 persons or more, this gives a further indication of the number of people who may be sharing cooking, washing and toilet facilities in tenement rooming houses. While the average density overall accommodation in Enugu in 1985 was four persons per room (Section 7.2.2) it is clear that the average density for tenement rooming houses would be higher. This also provides a measure of the general shortage of housing in Enugu and the seriousness of the city's housing problem and the inequalities present in housing conditions.

The fact that so many households are living in single rooms in tenement rooming houses is obviously due to the fact that so much of the supply of cheaper housing is in this type of accommodation and that when supply is scarce and rents are high, low and middle income households have little choice. From the table, it can be seen that half of the respondents live in single rooms, mostly available in tenement rooming houses. As suggested above, there are however, tenants who may rent a single room, even if they can afford larger apartments, in order to save towards acquiring their own houses, in either the town or rural area. Therefore, the large proportion of single room occupants, does not necessarily imply that they are all in the low income group. Other sizes of household accommodation identified are three bedroom flats, two-bedroom flats, one-bedroom flats, and bungalows. The substantial proportion of flats, especially the three-bedroom category reflects an increase in the construction of blocks of flats in recent years. These accommodation types identified here are the most common types found in Enugu.

Table 8.3: Size of household accommodation (household Survey)

Size of accommodation		Percentage
Single room(s)	248	50.2%
One-bedroom flat	22	4.5%
Two-bedroom flats	42	8.5%
Three-bedroom flats	84	17.0%
Bungalows	98	19.8%
	494	100.0%

8.2.4. Tenure pattern

In many African cities, most houses are privately owned, though they are built on plots acquired on leasehold for 99 years from the municipal council. The houses may be wholly owner-occupied, part owner-occupied, or wholly rented. As such, it is often unrealistic to consider whether the houses are owner-occupied or rented, for frequently they are both (O'Connor, 1983). This is mainly because most owner-occupiers, while living in some rooms, let out the rest to renters. Thus, in this case, the house can be classified as rented, as well as owner-occupied. In addition, since most urban dwellers occupy only one or two rooms, rather than the entire house, much of the analysis of housing should be in terms of dwelling units for realistic assessments of tenure patterns. Consequently, two categories of tenure[4], are not always sufficient in classifying housing in urban Africa and Enugu in particular. Hence, the classification in this study, which applies only to the landlords' survey, is three fold - rented, partly rented, and owner-occupied. Partly rented houses are those in which the landlord lets out part of the house while occupying the other part. For example, the landlord may live in one or more rooms in a tenement rooming house or in a flat within a block of flats and let the others out. Therefore, in order to assess the tenure pattern in Enugu, the landlords were asked to indicate the tenure status of their house (question 9 in the survey of landlords). They were, for example, asked to say whether they were renting out the whole house (wholly rented), part of it (partly rented), or it is owner-occupied.

The result of the chi-square test, which is presented in Table 8.4 below, shows that there is a significant relationship between the house types and tenure patterns in the study. Bungalows have the largest proportion of owner occupied dwellings (74.7%), followed by tenement rooming houses (16.3%) and tenement blocks of flats (1.4%). On the other hand, 35% of blocks of flats are wholly rented while the corresponding figures for bungalows and tenement rooming houses are 20.0% and 16.7% respectively. Tenement rooming houses (67.0%) and tenement blocks of flats (63.6%) have the highest proportion of house types that are partly rented while for bungalows it is 5.3%. That is, around two-thirds of owners of flats and 83.3% of the owners of rooming houses live in the building which they own. It is worth noting that of the 5.3% of bungalows which are partly rented are usually those houses in which the owners rent out the "boy's quarters" while occupying the main building. A "boy's

[4]rented and owner-occupied

quarter" is an apartment often detached from the main building usually occupied by house helps.

In addition, the cross-tabulation of the variables shows that the observed values are higher than the expected in the cells which show bungalows that are owner-occupied, tenement blocks of flats that are partially and wholly rented and tenement rooming houses that are partly rented. Moreover, the large value of chi-square (significant at 0.05%) confirms that there are indeed significant relationships between the house types and tenure patterns identified in the study.

Table 8.4: Relationship between house types and tenure pattern (landlords' survey).

	wholly rented	partly rented	owner occupied	Row Total
bungalow	19 21.7 20.0%	5 51.0 5.3%	71 22.3 74.7%	95 19.9% 100.0%
t.block of flats	50 32.7 35.0%	91 76.7 63.6%	2 33.6 1.4%	143 30.0% 100.0%
t.rooming house	40 54.6 16.7%	160 128.3 67.0%	39 56.1 16.3%	239 50.1% 100.0%
Column Total	109 22.9%	256 53.7%	112 23.5%	477 100.0%

Chi-square	Degrees of freedom
206.61985	4

At 0.05%, the critical value of Chi-square = 19.998

It can thus be argued that the high proportion of tenement blocks of flats and tenement rooming houses, which are multi-family houses and form the bulk of the wholly and partly rented housing, aids the preponderance of renting and the prevalence of part-renting supports the argument that ownership of an urban house is valued more for its return as an investment than the need for urban accommodation. As we noted in Section 6.5.1 above, a large proportion of landlords in Enugu build houses primarily for renting, that is as an investment, rather than for urban accommodation per se. Furthermore, as we already noted in Section 6.3, urban housing provision and construction is influenced by both exchange and use value and that the former often seem to be dominant since large structures like tenement blocks of flats are often built by the owner with the view of renting all but one or two flats which are left for the family's occupation. This view is, however, different from the government's policy which regards housing as a social good and therefore aims at providing highly subsidized owner-occupied homes. Furthermore, the low percentage of tenements which are owner-occupied shows that they are purposely built for renting, and clearly indicates a relationship between house types and tenure pattern. Moreover, the size and design of the two house types as residential units, yielding many rooms and flats as shown in Table 8.3 is consistent with the view that they were built for more than one household, hence the relationship between the two house types and their tenure pattern. In contrast, a bungalow is in most cases a single dwelling unit. These results also highlight the difficulty of any broad classification of urban housing in Enugu as rented or owner-occupied, since a large proportion is both.

8.2.5. Household mobility

The availability of different house types and their tenure patterns may directly or indirectly influence a household's desire to re-locate. This is especially so for renters who may be motivated to re-locate if the house type they need is available in a favourable location, and/or if the rent is cheaper than what they are paying. Household mobility may also be brought about by the desire of tenants to spend less of their income on rents. In this case, they are likely to move away from an area or house type of high rent to that of low rent. Hence, the survey sought to find out from the tenants/households respondents how long they had lived in their present accommodation, if they wanted to move out, and if not, why not (questions 6, 11 and 12 in the household survey).

The result of the analysis which is presented in Table 8.5 below shows that 57.1% of the respondents have lived from five to over ten years in their present accommodation, while 33.2% have lived from one to four years and 9.7% under one year. When tenants live for a very long time in one apartment, it could be that, among other things, they are comfortable, like the environment, or are unable to re-locate. On the other hand, there are others who may want to re-locate due to social and economic changes in their lives, but are unable to do so because of factors such as high rent and a shortage in the supply of residential houses generally or in a location of their choice. In this case, household mobility may be affected by the prevailing high rent.

Table 8.5: Period of residence in present accommodation in the household survey.

Period of Residence		Percentage
Under one year	48	9.7%
One - two years	63	12.8%
Three - four years	101	20.4%
Five - six years	96	19.4%
Seven - eight years	68	13.8%
Nine - ten years	28	5.7%
Ten years plus.	90	18.2%
Total	494	100.0%

Household mobility is often regarded as the principal means through which changes in the demand for housing are satisfied (Bourne, 1981). Often people move houses because of dissatisfaction with their current housing status relative to their income and needs, or from a desire to improve their housing and neighbourhood amenities. Household mobility may also be due to force, or to changes in jobs or in life-style and life-cycle (Bourne, 1981). Thus mobility is complex partly because it varies from household to household.

In the survey of tenants, the respondents who had moved were asked to give the main reason they had to re-locate. The analysis shows that, for example, 22.7% of the respondents relocated because of high rents, 27.0% because of an inconvenient location, 16.1% for lack of housing amenities, 27.3% for insufficient accommodation, and 6.9% for unspecified reasons. Inconvenient locations are those areas where the respondents live and find it difficult to get to work, hospital or school. Such areas include Ugwu Aaron, and Ugbo Jona which are part of the Ogbete township in this survey (Figure 8.1). High rents which resulted from the failure of the Rent Edict and the shortage in the supply of residential housing are a potential cause of increased household mobility. As regards distance moved, in the household survey 11.8% of the respondents who had moved, moved to their present accommodation from another house in the same street, 37.4% from another street in the same township, 27.3% from another township in the city and 23.5% from settlements outside Enugu. This shows that most moves are relatively short.

In addition, household mobility may also be related to the growth of the urban area and the strength of its income base. Enugu witnessed the highest period of housing construction between 1966 and 1976, which coincides with the the period of major economic growth in the country. In this period many houses were built spontaneously in planned layouts without adequate provision of amenities. This does not imply that the quality and design of the houses were poor, but that landlords, due to increased demand, had built houses on plots which were yet to be provided with amenities such as paved roads, piped water, and electricity. Therefore with time, poor environmental quality and lack of household amenities may well have influenced households to move out from such areas and this is probably reflected in the number citing inconvenient location (27%) and lack of household amenities (16.1%) as reasons for moving.

Other tenants have, however, been hindered from relocating by other factors. For example, those who could not move out were asked to indicate the main reason why they could not (question 11 in the household survey). The analysis showed that they were not able to move house because of factors such as the prevailing high rents (16.4%), the demand for rent advances by the landlords (67.7%) and lack of suitable accommodation (15.9%). The demand for rent advances, apart from restricting household mobility, also ties households to their particular accommodation as long as they have not exhausted the rent advances they paid before moving into the house. Nevertheless, about 51.8% of the respondents said they would still like to move (question 12 in the household survey). Among those who would like to move, 28.7% would like to move to other rented accommodation, 8.8% wanted to buy their own house, 61.0% would like to buy urban land for self-build, while 1.5% were not sure. This reinforces the view that self-build is seen as a more acceptable or realistic means of home ownership than purchase, especially as there are virtually no speculative builders who may construct houses for sale in Enugu.

The respondents in the tenants survey were further asked to say whether they have made any attempt to buy an urban plot for housing or a completed housing unit (question 13 in the household survey). The survey shows that 50.4% of the respondents have tried either or both. The proportion of those who have tried to buy a house, was probably influenced by the sale of public housing units before 1985. Those who have attempted to buy a house or an urban plot for self build, but could not were asked to say what their main difficulty was (question 14 in the household survey). Their responses are outlined in Table 8.6 below.

Table 8.6: Hindrances to ownership of urban plot or house (household survey).

Hindrances		Percentages
Finance	183	37.1%
Scarcity of planned urban plot	101	20.5%
Lack of houses for sale	36	7.3%
High cost of urban land	93	18.7%
Lack of adequate collateral	56	11.4%
High cost of housing material	25	5.0%
Total	494	100.0%

The table shows that the main hindrances encountered by households who attempted to buy a house or an urban plot were finance, scarcity of plots, the high cost of urban land, and lack of collateral. Apart from the scarcity of planned urban plots, which are only available when new layouts are developed and the scarcity of houses for sale, other hindrances are money related. The fact that lack of finance was the reason given most often helps to confirm the point made in Chapter 6 that in Nigeria shortage of finance is a more serious problem than the shortage of building land. The lack of urban plots indicates the weakness of the Land Use Decree as a means of making land available, while the scarcity of houses for sale reflects the sorry state of supply in the housing market. As we noted in Section 6.5 above, there is always keen competition for available urban plots and house purchase is often conducted in secrecy.

The cost of building materials is still high, in spite of the government's efforts in the development of local raw materials like burnt brick. For example, the cost of basic building materials like cement and roofing zinc has risen very sharply in the last five years (1985 - 1989). The cost of a bag of cement rose from five naira in 1985 to forty naira in 1989. Likewise the cost of roofing zinc rose from thirty-five naira a bundle of twenty sheets in 1985 to two-hundred and fifty naira in 1989. Lack of data on the rate of inflation in the country at this time (1985 - 1989) has hindered the research from determining the actual price or value of the building materials. The desire and need for imported building materials is still high due to preferences and taste and urban building regulations. Most home owners still seem to prefer concrete cement blocks to burnt bricks even though the latter are cheaper. These factors have contributed in no small measure to restrict household mobility and this also highlights the underdeveloped nature of the housing finance system in the country, which affects not only the rate of construction of new houses but also the level of maintenance of the existing stock. Burgess (1982) would probably see the preference for imported building materials as also being related to the growing dependence of self-build activity on industrial products and therefore an industrial capitalism.

These results do not, however, mean that all the tenants/households necessarily need own urban housing, because a large proportion (84.4%) indicated when asked (question 23 in the household survey), that they have houses in their towns and villages. As noted earlier, ownership of a house in the rural area is still important since it enhances the prestige of the owner, and they may probably retire there because that is what they regard as their permanent home. Although La Fountain (1970) has noted that some urban dwellers are prepared for permanent urban residence, most do not seem to regard their stay in the city as necessarily permanent and will thus need a house in the village to go back to. Such people may still need finance for either urban or rural housing.

8.2.6. Housing construction and repairs

As discussed in Section 7.1.1, Enugu is a colonial town which grew as a result of the coal mining activities started in 1909; the construction of residential housing probably started mainly from this date. However, since houses are subject to ordinary wear and tear, which brings about fluctuations in their condition and value, the discussion of the period of construction and level of maintenance is important to consider as a factor influencing the quality of the houses in this study.

Furthermore a house may also depreciate in physical quality when policies such as rent control are used by the government to control rising rent in the housing market. When this happens, landlords often complain of losses in revenue which they claim reduce the amount of money they can spend in maintenance. The maintenance or repair of a house requires finance from either private savings or as a loan from housing financial institutions. By examining the period the houses were built, repaired or expanded, we may be able to assess the level of maintenance and try to ascertain the sources of finance, whether conventional or unconventional, used in the building, repairs or expansion. The respondents were therefore asked to indicate when their houses were built, whether major repairs or extensions had been carried out and when, and the source of funds used (question 7 in the landlords survey). Table 8.7 below shows the different periods when housing construction and repairs were carried out and percentages that were constructed and repaired for each period as percentage of respective totals constructed and repaired. In the table, the column showing the percentages of repairs or extension includes those houses that have been expanded, reconstructed and/or converted.

Table 8.7: Periods of housing construction, repairs/extensions 1917 - 1987 (landlords' survey).

Period of Construction/Repairs	Percentage of Construction		Percentage of Repairs/Extensions	
Before 1917	(24)	5.0%		0.0%
1917-1926	(2)	0.4%		0.0%
1927-1936	(1)	0.3%	(21)	9.5%
1937-1946	(12)	2.5%	(3)	1.4%
1947-1956	(57)	11.9%	(3)	1.4%
1957-1966	(114)	23.9%	(4)	1.9%
1967-1976	(194)	40.7%	(139)	62.8%
1977-1986	(73)	15.3%	(51)	23.0%
1987 +	0.0		0.0	
Total	(477)	100%	(221)	100%

On the whole, 27.3% of the 477 houses surveyed have undergone major repairs, 5.2% have been extended, 13.8% have undergone both major repairs and extensions, a total of 46.3%. The survey also shows that the highest period of both housing construction and repairs in Enugu was between 1967 and 1976 which corresponds with the period of the civil war and post civil war[5] reconstruction and economic growth in the country. Within this period (1967-1976), 40.7% of the houses surveyed were constructed and 62.8% of all repairs were carried out. The proportion of houses shown as repaired/extended in the period 1977 - 1986 included those which were converted especially from tenement rooming houses into blocks of flats, apparently influenced by the Rent Edict of 1976 as discussed in Section 7.3.3. This study does not have any numerical data to show the number of tenement rooming houses that

[5]The Nigerian Civil War started in July 1967 and ended in January 1970

have been converted, but during the field survey, the author noted several conversions taking place and houses already converted such as the one shown in Figure 7.1 above.

From Table 8.7, it can be seen that the percentage of construction increased steadily from 1937 till 1976, probably due to Enugu's growth and expansion. Although a significant proportion (46.3%) of the houses have undergone some form of repair or extension, the periods of repairs naturally varied from that of construction. When repairs, and extensions were actually carried out depended very much on the needs of a particular house and the availability of funds. After the Nigerian Civil War ended in 1970, many of the houses were renovated as some were damaged either by bombs or bullets during the fighting. Others have undergone major repairs particularly since 1974, when the then East-Central State government banned the bucket system of night soil disposal. Landlords/Owner-occupiers were then required by government edict to convert all bucket systems to the water system. The 53.7% of houses surveyed which have not been repaired or expanded are probably mainly of recent origin. There were no repairs reported in the early years, possibly because the present occupants cannot remember. From Section 8.2.4 above, the research has shown that a sizeable proportion of the house types identified are either partly rented or owner-occupied. The preponderance of the two tenure types may also have contributed to the reasonably high level of maintenance shown in the last 2 decades, since a majority of the landlords live in the same house with their tenants and will therefore feel any discomfort that results from lack of maintenance.

Although there are no separate data to show this, the most dramatic physical change is the conversion of tenement rooming houses into tenement blocks of flats. This eventually affected the general pattern of housing supply and renting, especially as it tended to reduce the number of tenement rooming houses available to low-income households. Moreover, as we noted in Section 7.3 above, reconstruction was used by the landlords to push up rents. Since most of these houses have also undergone major structural repairs during the conversion, in order to improve their quality during the process, the houses involved are more likely to conform to the existing building code. Thus a number of factors particular to Eastern Nigeria, to Enugu or to Nigeria as a whole have contributed to the level of repairs and extensions revealed by the data in the periods 1967 - 1976 and 1977 - 1974 including the aftermarth of the Nigerian Civil War, the state edict of 1974 banning the bucket system of night soil disposal and probably also the Rent Edict of 1976 through encouraging conversion of tenement rooming houses to tenement blocks of flats. Taken together these factors may largely explain the fairly high level of repairs and extension revealed in the period since 1967. It is therefore difficult to say what the level of maintenance would have been in the absence of such particular events and factors. Nevertheless, despite the difficulty of generalizing, the assessment of the period of construction and repairs is useful to the research because it helps us to build up the picture of the houses surveyed as regards changes in quality and also helps to give some indication of the fact that finance is needed for maintenance and reconstruction as well as for new construction..

8.3. Access to conventional housing finance.

The conventional housing finance institutions in Enugu are identical to those institutions discussed in Section 4.1. on Nigeria. There are 9 branches of commercial and savings banks in Enugu which represent all major commercial banks in Nigeria. These include the branches of the African Continental Bank, the First Bank of Nigeria, the Union Bank of Nigeria, the Co-operative Bank, the United Bank for Africa, the National Bank, and the Orient Bank. There is also the state branch of the Federal Mortgage Bank and an area office. It was only the Savings and Loans Department of the State Housing Development Corporation that was indigenous to the state. Although these bank branches operate deposit or savings accounts and offer other wide ranging services, the issue under consideration here is their involvement in and contribution to home ownership. It may be worth noting here for later reference that the survey showed that 90.4% of the landlords/ owner-occupiers (question 14 in the landlords survey) and 64.0% of tenants (question 15 in the household survey) in Enugu save regularly with the banks.

As we noted in Section 2.2.2 above, house funding like that for any other durable asset, is made possible in most Western capitalist countries by a financing system which efficiently mediates funds from surplus economic agents to deficit units[6] (Grimes, 1976). Also, like the production of other assets with a long life house building is aided by long term credit. Finance for housing, however, like other resources is scarce, therefore managers of financial institutions play a crucial role in decision taking about who receives what, where and when. As such, they can be regarded as social "gatekeepers"[7] who determine the allocation of funds available for housing finance.

In deciding whether or not to grant loans for housing to applicants, bank managers in developed countries, adopt methods through which they assess the paying capabilities of potential borrowers. Most managers of housing finance institutions are generally cautious and investment oriented in order to ensure financial security both in terms of the paying ability of potential borrowers and the future exchange value of dwellings they are willing to finance. Managers of institutions in the United Kingdom that lend a high proportion of the total cost or valuation of a house, often compute the maximum loan as a multiple of the household income (Knox, 1982)[8]. Furthermore, borrowers especially first time buyers will generally need to raise a certain amount of capital for a down-payment in order to qualify for a mortgage (Boleat, 1985). Robson (1975) criticizes this as discriminatory since people in the low-income group will generally not be able to accumulate the necessary savings. Besides, the desire for risk minimization has led managers of financial institutions to give a lot of weight to the general credit-worthiness of the applicants. This in turn, tends to exclude several groups like

[6]builders and buyers of houses

[7]managers of scarce resources, determining who gets access and who does not

[8]Some institutions also take into consideration, a proportion of a second income, if there is one.

the self-employed and the lowly paid. Thus, since managers of financial institutions effectively decide not only who gets a loan, but also what kind of property their borrowers can aspire to, they can be seen as significantly influencing the housing market.

8.3.1. Housing costs and loan applications

Since the cost of buying or constructing a house is often as high as two to three times the annual income of the buyer or builder (Boleat, 1985), long term finance in the form of a loan is essential in providing the required funds. The extent to which mortgages are provided depends on the level and nature of the housing finance systems and institutions existing in a particular country. For example, as we noted above, financial institutions in developed countries are known to provide as much as 80% to 90% percent of the cost of the house (Knox, 1982; Balchin, 1985; Boleat, 1985).

The provision of housing finance, by institutions requires complex management techniques especially when housing finance institutions borrow in the short-term and lend in the long-term. In addition, the housing finance sector involves dealing with specific problems that include, among others, substantial risks, high transaction costs, the varied nature and type of households being served, the level of capitalization, maintaining public confidence and ensuring effective loan recovery (Renaud, 1984). Apart from these problems, housing finance itself is scarce, such that managers of financial institutions are faced with making difficult decision on how to distribute what is available. Such decisions are sometimes seen as discriminatory or as restricting some classes of potential borrowers from having access to housing finance. This is even more likely in some developing countries like Nigeria, where housing finance systems are seriously deficient in their coverage of the populations being served and in the quality of services they provide.

In Nigeria, however, there is a paucity of information on the proportion of the cost of the house the financial institutions are willing to fund. As we noted in Section 4.3, while the banks advertise savings deposits and other services, they rarely advertise mortgages. The thesis therefore sought to know from the landlords/owner occupiers the cost of their house, if they applied for a mortgage, how much they had asked for and how much they received as a loan and the most difficult loan requirements they had to meet (questions 2 - 5 in the landlords survey). Also the non-applicants were asked to state their main reason for not applying (question 6).

Table 8.8 below shows the amount of money the respondents in the landlords' survey had applied for as loans and the cost of the house concerned. In this table, the cost of the house, the amount applied for and the amount given as a loan have been grouped into bands as follows : group 1 = 10,000 - 29,999 naira; 2 = 30,000 - 49,999 naira; 3 = 50,000 - 69,999 naira; 4 = 70,000 - 79,999 naira; 5 = 80,000+. Before examining this data it is worth noting that the use of grouped data can introduce some misleading results through the effect of group boundaries. Thus an applicant whose house cost 80,500 Naira who applied for a loan of 79,000 will be seen as applying for a loan in a category below that of the house's cost (and vice versa). Whereas if the house cost 79,500 Naira and he or she applied for only 70,000, the amount applied for and the cost of the house will fall into the same category.

Table 8.8: Cost of house in relation to loan the applicants applied for (landlords' survey).

Cost of house	Amount applied for: 1	2	3	4	5	Row Total
1	17 94.4%	1 5.6%	0 0.0%	0 0.0%	0 0.0%	18 11.8% 100.0%
2	1 3.1%	22 68.8%	7 22.0%	1 3.1%	1 3.1%	32 20.9% 100.0%
3	0 0.0%	7 14.0%	32 64.0%	11 22.0%	0 0.0%	50 32.7% 100.0%
4	0 0.0%	0 0.0%	1 2.1%	42 89.4%	4 8.5%	47 30.7% 100.0%
5	0 0.0%	0 0.0%	0 0.0%	2 33.3%	4 66.7%	6 3.9% 100.0%
Column Total	18 11.8%	30 19.6%	40 26.1%	56 36.6%	9 5.9%	153 100.0%

Table 8.8 shows that from group one (10,000- 29,999 naira) to group five (80,000 naira) the following percentages of the applicants applied for approximately the cost of their house : 94.4%, 68.8%, 64.0%, 89.4% and 66.7%. The large proportion of applicants who applied for approximately the cost of their houses may be explained by the tendency for applicants who are considered less risky or who provide adequate security to be given enough money by the financial institutions to acquire their houses. Those who applied for more than the cost of their house were 5.6% in group one, 28.2% in group two, 22.0% in group three and 8.5% in group four. There were, however, some applicants who applied for less than the cost of their house. These formed 3.1% of group two, 14.0% of group three, 2.1% of group four and 33.3% in group five. In examining these results it is worth bearing in mind the distortion which grouping can create. Nevertheless, it seems reasonably obvious from the table that a

large proportion of the respondents applied for amounts that are roughly equal to the cost of their houses.

As noted earlier, in Section 2.2, in countries where housing finance systems are well developed, there are specific percentages of the cost of the house, that financial institutions are normally willing to grant as loans to mortgage applicants. Hence, applicants know how much to expect as a percentage of the cost of the house when obtaining a loan. However, in Enugu it seems that some applicants apply for amounts of money they consider appropriate to their needs, rather than any proportion or percentage of the cost of their houses that the financial institutions might be willing to grant them as loans. Since the cost of hiring professionals needed in house purchase such as quantity or estate surveys is normally taken as a separate item from the house cost and since the fees are appreciable, it is possible that some applicants applied for enough money to cover these costs as well, which would help to explain applications in excess of costs. A further factor in the case of self-builders is that they apply for larger loans than they think they will really need to obtain all the materials needed, partly to ensure that they will not be short of finance in case building materials or wages increase more rapidly in price than expected. Thus an application larger than costs helps to cover contingencies. Since self-building is the most common means of acquisition, this is probably the main explanation.

If the house was self built, it is difficult to know if and how people took account of the cost of their labour and that of their family and friends. Probably few took any account of this. Some allowance should perhaps also be made for the fact that people may not remember the cost of house or the amount of loan accurately.

Figure 8.3 compares actual bank loans with the cost of houses using a scattergram. It should be noted that the exact values for costs and loans are used in plotting this and other scattergrams in this research in contrast to the grouped data used in Table 8.8 above. The scattergram indicates a strong correlation in which the loan given increases as the cost of the house increases (r =.901; slope close to 1), suggesting a consistent relationship between the two variables. With a coefficient of determination [r^2 = 0.81229] 81% of the statistical variation in bank loans may be explained by the variation in the cost of the house, for example the subjective assessment by the bank manager regarding his or her confidence in the applicant's ability to repay.

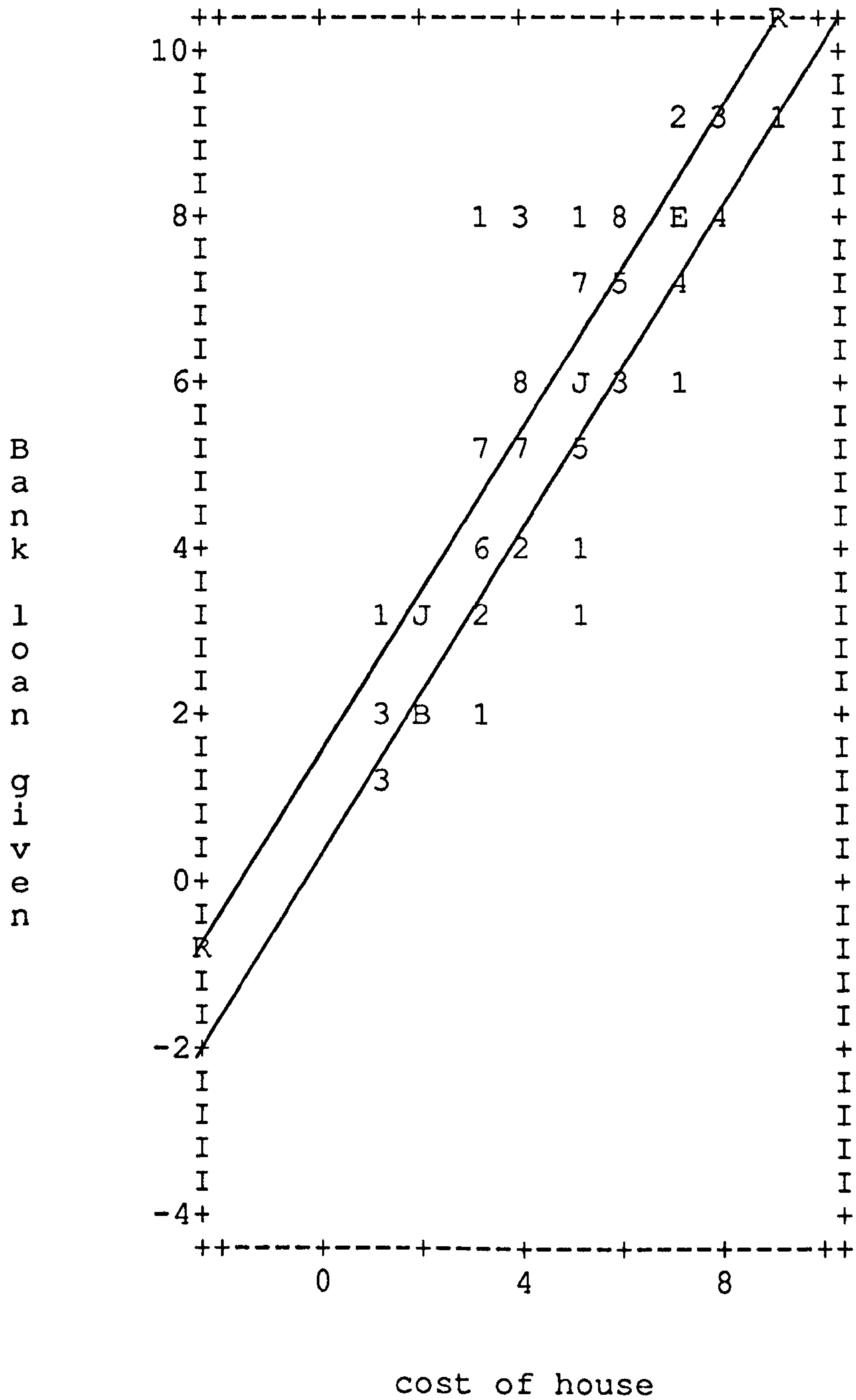
It is interesting to note that there are many applicants in Figure 8.3, who got larger loans than the cost of their houses, just as we noted in Table 8.8 above. This may be due to under estimation of the cost of the house by the applicants involved in self-building who may not have remembered to include the cost of all the materials or labour employed when these were obtained in many instalments over a long period. There may also have been some error in the recording of the data in the field, or even by the respondents themselves in remembering the amount of the loan. It is possible that the applicants may have remembered the cost of the house as the amount of the bank loan. However, such errors may well cancel out. From this analysis, it therefore seems quit clear that the landlords who actually got loans from the banks were given adequate funds generally as regards the cost of the houses. Thus, 114 or 74.5% of the landlords who used bank loans got more than the cost of their houses while 13 or 8.5% got less. It therefore seems that those landlords who combined isusu with bank loans may well have used isusu for other things rather than as the "topping up" loans which we postulated in the conceptual framework in Chapter 6.

The following symbols are used in this and other regression Figures to indicate frequencies.

```
Symbols used:
1 - 1;2 - 2;3 - 3;4 - 4;5 - 5;6 - 6;7 - 7;8 - 8;
9 - 9;10 - A;11 - B;12 - C;13 - D;14 - E;15 - F;
16 - G;17 - H;18 - I;19 - J;20 - K;21 - L;22 - M;
23 -N;24 - O;25 - P;26 - Q;27 - R;28 - S;29 - T;
```

30 - U;31 - V;32 - W; 33 - X;34 - Y;35 - Z;36 - *

Figure 8.3: Regression of bank loan on cost of house (landlords survey).



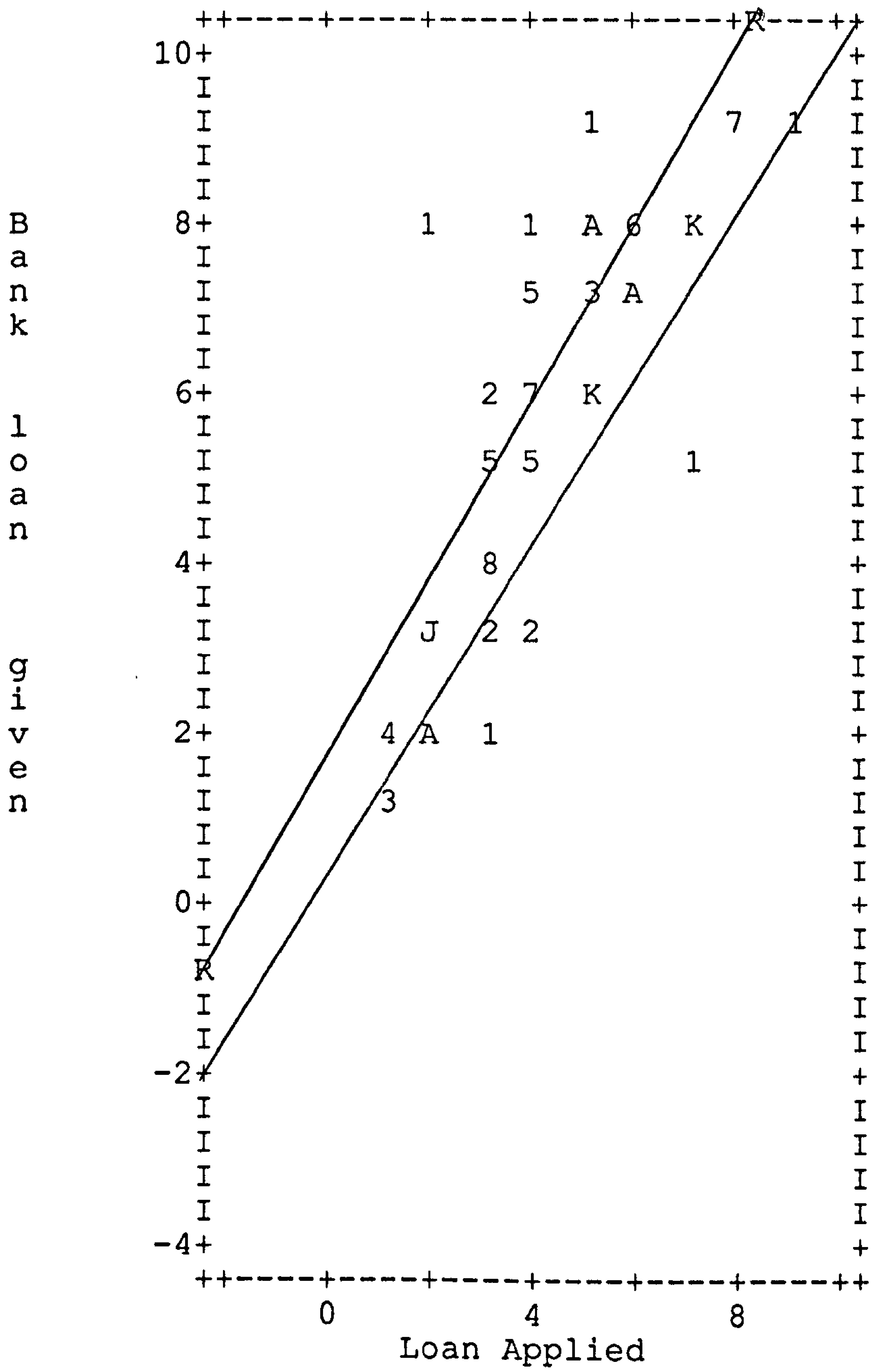

```
153 cases plotted.
Regression statistics of bank loan on cost of house:
Correlation  .90127 R Squared  .81229
S.E. of Est.      .94854  2-tailed Sig.   .0000
Intercept(S.E.)     1.06072(    .18786)
Slope(S.E.)        .99218(    .03881)
```

Note that the line of equality is the line where loan given equals cost of the house and all the points above it got loans greater than the cost of the house.

Another way in which the research had sought to examine the policy of conventional institutions in Enugu in house funding is shown in Figure 8.4 below, which illustrates the relationship between the amount of loan the landlords applied for and what they actually received. The scattergram and results show a positive relationship ($r = 0.896$ and the slope is again close to 1) between the amount of money loaned and the amount the applicants applied for, which appears to suggest that there is a consistent relationship between these two variables with over 80% of the statistical variation in the amount given 'explained' by the amount applied [$r^2 = .803$)].

It is rather surprising (Figure 8.4) that there is a significant number of applicants who applied for less than what was loaned to them. Again this may partly be attributed to error in the recording of the data or to the respondents mistakes in remembering the amounts when responding to the questions. However, such errors are probably random in effect and therefore just as likely to result in loans granted being underestimated vis-a'-vis amount applied for as over-estimated. Hence, it is unlikely that these errors explain much of this apparent generosity by bank managers. A more likely explanation is that, after bank managers have certified the credit worthiness of the mortgagees, they may not hesitate to loan them enough money to purchase or build their houses. This may be partly explained by the freedom of discretion the bank managers exercise in deciding who receives what, and how. As Saunders (1986) notes, the way financial managers in the United Kingdom take decisions sometimes depends on their own values and interests, rather than their desire to distribute fairly the available housing finance. Thus although it was possible to put forward several factors to explain why applicants would apply for loans greater than the cost of the house, it is difficult to find a convincing explanation for so many people being granted substantially larger loans than they applied for.

Figure 8.4: Regression statistics of loan applied on amount given (landlords' Survey).




```
154 cases plotted.
 Regression statistics of loans applied on amount given:
Correlation  .89626 R Squared  .80328
S.E. of Est.    1.01739  2-tailed Sig.  .0000
Intercept(S.E.)     1.11004(   .20075)
Slope(S.E.)    1.03542(   .04156)
```

To summarize, the analysis presented in Table 8.8 and Figures 8.3 and 8.4 seem to show that some mortgagees in Enugu apply for amounts they consider appropriate to their needs rather than apply for just the cost of the house. There are also consistent relationships between the cost of house and the amounts of money both applied for and given. In addition, the more money applicants applied for, the larger the loan they were given, often in excess of the amount applied for. It is therefore important to note that, although only 153 landlords out of of 477 interviewed had received bank loans, those who did receive were generally well funded.

8.3.2. Obstacles to obtaining finance

Most of the mortgagees, encountered some difficulties in obtaining a loan. When they were asked to indicate the most difficult loan requirement they were asked to meet (question 5 and 6 in the landlords survey), 49.0% said they found the provision of an acceptable surety difficult, 39.3% adequate security, 3.4% a friendly bank manager, 5.3% the provision of certificate of occupancy for a plot of urban land, 2.7% the short amortisation period and 0.3% the high interest rate. As we noted in Section 6.4.2, bank managers demand securities that will guarantee the safety of their loans and this is related to the level of risk they perceived for the applicant. It must also be borne in mind that question 5 in the landlords' survey was asked of those who had obtained bank loans and these results may therefore indicate that most of these successful applicants had little problem in finding a friendly bank manager. It is also worth noting that although the availability of a friendly manager is not apparently seen as a common difficulty in these results in Nigerian society it is quite possible that the personal knowledge and relationship between the applicant and the manager in some cases helps to determine the level of perceived risk and consequently influences whether the applicant receives the loan or not.

The most revealing aspect of the difficulties encountered by the mortgagees is that strict lending policies such as the high interest rate of 9% in Nigeria at the time of the survey and the short amortisation period of 10 years were not the main hindrance. The short amortisation period of 10 years was possibly an obstacle for middle income families who could not afford to borrow at a high interest rate for so short a period. Although these rates of interest were higher than that of the Federal Mortgage Bank rate at 5% and 25 years respectively, they did not put off most of the applicants. Rather the main difficulties were with the provision of acceptable surety and adequate securities which reflects the strictness of the lending policies.

As regards providing a surety, it must be noted that few people will be willing to guarantee loans for others especially when the banks demand landed property from the guarantor as security for the loan. These demands therefore made it difficult for applicants to build or buy their first homes since only a few people were willing to pledge their property as security for another person's loan, knowing it could be confiscated if the mortgagee defaulted. Moreover, as we noted in Section 6.5 above, only certificates of occupancy and survey plans for properties in the urban centres are acceptable to the banks as securities. Hence, applicants who do not have urban plots are effectively excluded. Thus by demanding tough loan conditions, the banks discourage potential borrowers thereby restricting their access to housing loans.

8.3.3. Institutional limitations regarding the Land Use Decree

Managers of financial institutions have argued that the Land Use Decree (1976) offers no guarantee or security on insurance cover against the risk of a borrower's default in repayment to a lender who relies on a certificate of occupancy (Anyanwu, 1991). Several bank managers interviewed questioned the validity of a "Right of Occupancy" as security for advances. They regarded the use of a "Right of Occupancy" as a security for a mortgage as risky in view of Section 50 of this decree which, while defining a holder of " Right of Occupancy" specifically excludes a person to whom a "Right of Occupancy" has been sold or transferred without a valid assignment and excludes a mortgagee, sub-leasee or sub-under leasee. Also some managers pointed out that by Section 29 of the same Land Use Decree (1976) only a holder or occupier of a "Right of Occupancy" is entitled to receive compensation payable on the unexhausted improvement on land, where the "Right of Occupancy" is revoked by the

Governor of the state, while exercising his or her powers under Section 28 of the decree. This, they further argued, means in effect that when a "Right of Occupancy" - the security for a loan - is revoked, the mortgagee (the bank) has no right to receive any compensation payable on the mortgaged property. Rather it is the mortgagor - the holder or occupier of the right of occupancy - who is entitled to receive the compensation. If however, after receiving the compensation, the mortgagor refuses to pay over to the lender (the bank) the compensation received, the position of the lender (the bank) will be synonymous to that of an unsecured creditor.

This provision puts many Nigerian banks in a precarious position because the decree seems not to guarantee the essence of security, which is an insurance cover taken by a prudent lender against the risk of non-payment. In this case the lender (the bank) which advances money to a borrower upon the security of "Right of Occupancy" loses if that right is revoked. While the banks seem to have a genuine reason for being less involved in mortgage financing, they can overcome the problem of the "Right of Occupancy" by including in their mortgage deeds, a proviso that the borrower or surety who pledges a right of occupancy as security, will pay any compensation received in the event of revocation of the "Right of Occupancy" to the bank (the lender) and the bank shall apply such compensation to reduce the borrower's or surety's indebtedness (Anyanwu, 1991).

Apart from the confusion that followed the interpretation of the Land Use "Right of Occupancy" as security for loans and advances, the banks also have to grapple with the problem of curtailing irregularities within the land transactions effective in the law. For example, Sections 21 and 22 of the Land Use Decree make it unlawful for the holder of a "Right of Occupancy" to alienate his or her right or any part thereof, by assignment, mortgage, transfer of possession, without the consent of the state governor. The problem with the consent provision is the unnecessary delay which attends the grants of consent in mortgage transactions. It will be very difficult for any governor to sign all the consent papers within the working hours, if these clauses are implemented. There is no doubt that the shortcomings in the Land Use Decree Act have affected the procurement of loans using landed property as security in the banking industry. These could be solved by streamlining and unifying the procedure for obtaining consent to the alienation of a "Right of Occupancy" throughout the federation. Also the power to grant consent should either be delegated to more state officers through decentralization or to grant the Land Registry more powers to undertake this function, provided adequate safeguards against abuses are put in place and in so doing remove the bottleneck that makes institutional housing finance inaccessible to potential borrowers.

8.3.4. Cost of repairs and housing loan applications

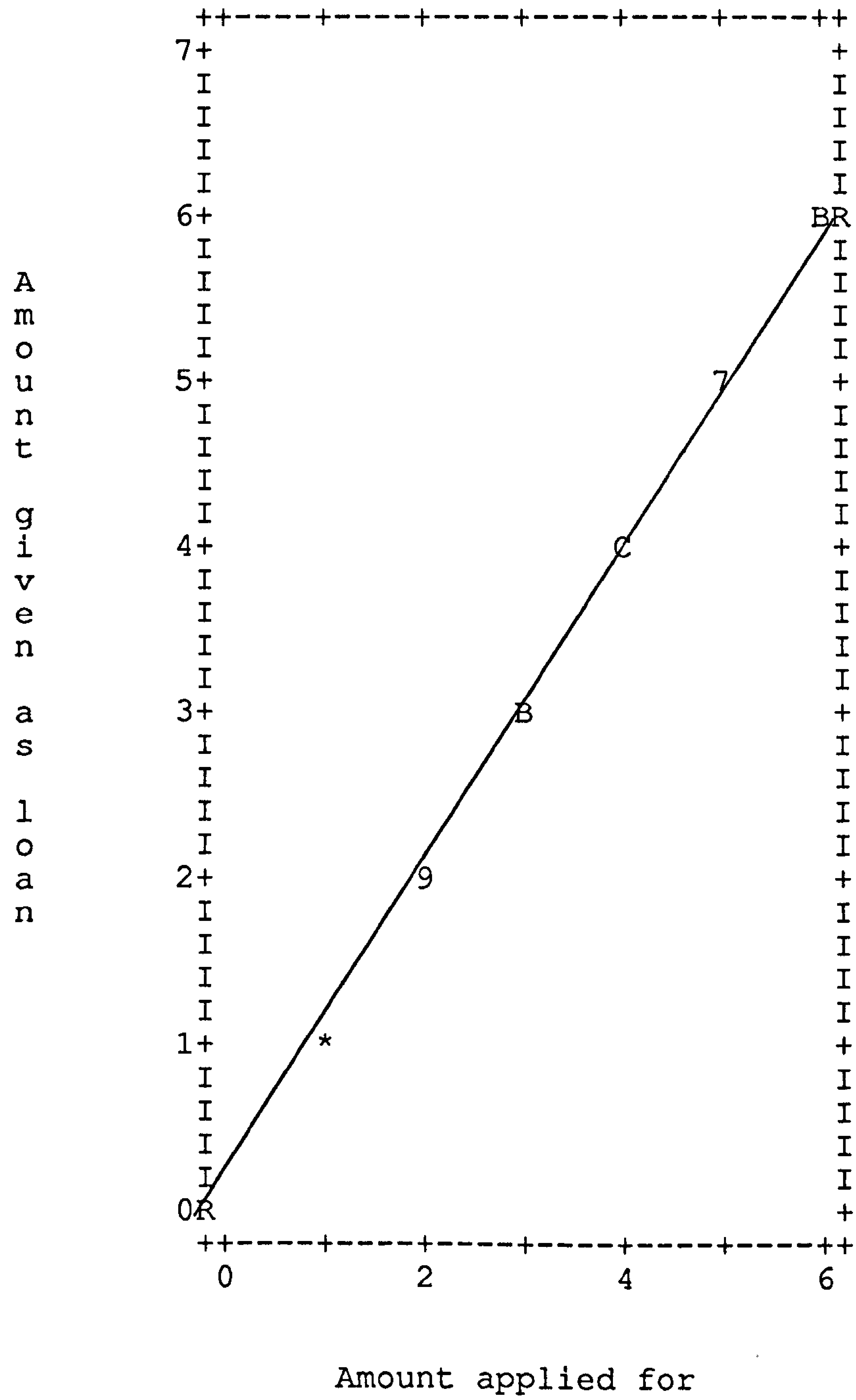
Besides funding home ownership, financial institutions provided money as loans for maintaining existing houses. This is especially important in places, like Nigeria, where the housing market is not well developed or where large estate companies that build and maintain houses are not in existence. Such funding is a necessary part of housing finance since it increases the quality value of the existing stock of housing, as well as prolonging its life. Otherwise, its quality will deteriorate, while its value depreciates. Maintenance however, still requires finance either from private savings or as a loan from financial institutions. The source of this finance is important to the research, hence, the respondents were asked to say whether they had carried out major repairs or extensions, the cost and the main source of funds they used (question 7 in the landlords survey).

The results show that 46.3% of the landlords/owner-occupiers had carried out major repairs, extensions or both. They also show that 47.3% of the landlords who had renovated their houses had applied for repair loans from financial institutions, while 52.7% were funded from other sources.

Figure 8.5 below shows the relationship between the exact amount of money the landlords/owner occupiers applied for as repair loans and what they actually received from the financial institutions. The scattergram and results show that there is a perfect linear correlation (r = 1.00) between the two variables under consideration. Since the slope of the line is 1.00 and the intercept is 0.0 all applicants were given exactly the same amount of money they had applied for as repair loans. Probably, the managers of financial institutions did not hesitate to grant applications for repair loans in full since the house could have been used as a security to guarantee such loans.

This high correlation may also be attributed to the fact that the amount they applied for was relatively small, compared to the cost of the house. Moreover, the Enugu Urban Municipal Council had offered a flat rate loan of 400 naira to landlords/owner-occupiers who could not meet the cost of converting their toilet systems. This may have accounted for a large number of applicants in the category that got amounts equal to what they had applied for as loans. These explanations taken together may account for this rather surprising phenomenon of a perfect correlation.

Figure 8.5:Regression statistics of amount applied for on amount given for repairs loans (landlords' survey).




```
150 cases plotted.
Correlation 1.00000 R Squared 1.00000
S.E. of Est.      .00000  2-tailed Sig.   .0000
Intercept(S.E.)       .00000
Slope(S.E.)     1.00000
```

This notwithstanding, there are some owner-occupiers who did not apply to either the Municipal Council or the financial institutions for the loan for various reasons. This group of respondents were asked to state the main reason they had for not applying (question 8 in the landlords' survey). The analysis showed that, 30.9% of the non-applicants did not actually know they could have applied to a financial institution for repair loans, 7.7% did not consider it necessary to apply, 27.8% had other sources of funding, while 33.6% had other unspecified reasons for not applying.

The large proportion of landlords/owner-occupiers noted above, that have carried out repairs or extensions may not be unrelated to the high proportion of owner-occupiers who live wholly or in part of their houses. Since they live in the house and presumably feel the same discomfort as other occupiers, they are likely to be aware of the need to carry out repairs when necessary. The high rate of renovation may also be an indication that the financial institutions are less rigid with the conditions for repair loans. Moreover, the applicants' houses provided security for the loans, which made a loan easier to obtain than the loans for first time owners. Nevertheless, there are still some respondents who did not know they could have applied to the financial institutions for repair loans.

In the United Kingdom, one of the most striking aspects of the gatekeeping activities of the housing finance managers is the practice of refusing to advance funds on any property within neighbourhoods which they regard to be a bad risk, usually inner-city areas. Although this practice of "redlining" has been criticized by Duncan (1976) and Boddy (1976) as discriminatory, managers of financial institutions still take decisions which are seen to protect their investments from bad risks. Though the data has not been analysed by districts, there is no evidence from the survey to show that the financial institutions have been "redlining" in Enugu, possibly due to the fact that they are only marginally involved in housing finance in the city. Furthermore, one may argue that Enugu is a relatively new city which has not yet developed the type of inner city found in large western cities.

These results show that, apart from the requirements set by the banks, there are other factors such as inadequate information on the part of the public, which have limited people's access to housing finance. We shall now examine critically how such decisions made in allocating the available funds, have affected the process of housing provision.

8.3.5. Lending patterns of conventional institutions

Boleat (1985) noted that the growth and development of institutional funding has encouraged home ownership by providing borrowers with funds. However, Balchin (1981) criticized building societies in the United Kingdom for favouring the financing of certain house types which led property developers to concentrate on providing those favoured types. Against the background of such a criticism, the thesis sought to determine the extent to which home ownership has depended on funds from the financial institutions, whether the institutions favour the production of a particular house type or social groups, and the consequences of such policies, if any. Although we argued in Section 6.5.1, that the banks are more likely to fund purchased houses, the thesis postulated an initial null hypothesis that financial institutions provided funds equally to all house types, irrespective of the means of acquisition. To test this, the respondents were asked to identify the sources of funds for their house type, and whether they were mainly funded by the financial institutions or other sources were included (question 2 in the landlords survey). The result of the analysis, presented in Table 8.9 below, shows the relationship between bank loans as a source of finance and the means of acquisition of housing. In this table, "others" refers to other combinations of finance apart from bank loans.

Table 8.9: Relationship between means of acquisition and sources of funding (landlords' survey).

	Others	Bank loan	Row Total
self build	265 254.0 70.9%	109 120.0 29.1%	374 78.4% 100.0%
inherit*	41 28.5 97.6%	1 13.5 2.4%	42 8.8% 100.0%
purchase	18 41.4 29.5%	43 19.6 70.5%	61 12.8% 100.0%
Column Total	324 67.9%	153 32.1%	477 100.0%

* Refers to the original source of funds for the house which they have inherited.

Chi-square	Degrees of freedom
59.79	2

At 0.05%, the critical value of Chi-square = 15.202

The table shows that financial institutions contributed funds for 32.1% of all houses in the survey, funding 29.1% of all self-build houses and 70.5% of all purchased houses. They therefore funded a much higher proportion of purchased houses than to self-build. The results are significant at 0.05% level, therefore indicating that the financial institutions did not provide funds equally to both means of acquisition and that they favoured ownership through purchase. In chapter 6, we argued that it seemed unlikely that unconventional institutions will provide enough money for purchase, except as "topping up" loans. This table, however, shows that 'other sources', funded 29.5% of the purchased houses without bank loans being involved at all. While "other sources' may include other things besides unconventional sources such as rents from blocks of flats and tenement rooming houses owned by landlords, it seems reasonably clear from evidence which will be presented in Chapter 9 that part of this funding is obtained through unconventional institutions. It therefore seems that, while the argument of the conceptual model is broadly consistent with these results, the funding of purchasers may be more complex than expected from the model. Also, though the majority, of purchasers depended on bank loans to become home owners it is clear that only 29.1% of self-builders used bank loans with the remaining 70.9% using 'other sources'. Since self-builders outnumber purchasers by six to one, it is clear that home ownership in Enugu in absolute terms is not dependent on conventional finance, a major contrast with most developed countries.

8.3.6. Effect on house types

Financial institutions are known to have sometimes influenced the supply of certain house types which are in demand through their lending policies, especially in Western industrialized countries. One possible result of such a policy is that prices paid for certain houses by certain types of households will be more than might be expected (Bourne, 1981). In order to determine how far financial institutions have influenced the production of different house types in Enugu, as a null hypothesis the thesis posits that financial institutions do not favour the production of any particular house type. The validity of this assumption is tested by cross-tabulating the different house types (question 1 in the landlords' survey) against sources of funding (Table 8.10).

Table 8.10: Relationship between house types and bank loans (landlords' survey).

	Sources of finance: Others	Bank loan	Row Total
bungalow	17	78	95
	64.5	30.5	19.9%
	17.9%	82.1%	100.0%
t.block of flats	72	71	143
	97.1	45.9	30.0%
	50.3%	49.7%	100.0%
t.rooming house	235	4	239
	162.3	76.7	50.1%
	98.3%	1.7%	100.0%
Column Total	324	153	477
	67.9%	32.1%	100.0%

Chi-square	Degrees of freedom
230.80303	2

At 0.05%, the critical value of Chi-square = 15.202

The results show that the observed frequencies are higher than the expected for all house types under bank loans, except for tenement rooming houses. Furthermore, the chi-square statistic confirms that the financial institutions funded significantly more bungalows (82.1%) and somewhat more tenement blocks of flats (49.7%) than would be expected from the general figure for the whole population (32.1%) but relatively few tenement rooming houses (1.7%). Since previous results (Section 8.2.2) showed that purchasers favour bungalows and financial institutions favour purchasers (Section 8.3.6), it may be argued that this helps to explain why the banks finance more bungalows. Consequently, by influencing the production of certain house types, it may further be argued that they are in effect implicitly restricting the supply of other house types, particularly tenement rooming houses.

This bias towards the production of bungalows and, to a lesser extent, tenement blocks of flats has significant implications for Enugu's urban housing supply. As we noted in Section 7.3.2, owners of tenement blocks of flats and bungalows receive bulk sums of money as rent advances for one year from companies and quasi-government organisations who rent such house types for their senior employees. Owners of such house types are also considered credit-worthy by the financial institutions while considering loan applications (Section 6.4.3). The fact that they are apparently favoured in this way, in addition to the higher renting value placed on this house type by the Rent Edict, means that it has become an attractive type to build. For example, most of the houses in the new layouts like Idaw River and Achara layouts, are tenement blocks of flats. The result is that fewer tenement rooming houses are produced, and this affects not only the overall structure of the city, but also the housing stock. Moreover, with a relative decrease in the supply of tenement rooming houses, which are popular with low-income renters, any increase in the demand for the available ones will consequently tend to lead to an increase in rent as noted in Section 7.3.3. This may have contributed to the failure of the Rent Edict (1976) discussed in Section 7.3, which according to Okpala (1980) led to a reduction in the supply of tenement rooming houses and an increase in the production of single family houses such as bungalows and flats that are more profitable and less subject to controls.

In a sense, the urban low-income households may therefore be indirectly disadvantaged by the lending policies of the financial institutions. As Harvey (1977), Williams (1976, 1977) and Balchin (1981) have argued, by favouring the production of particular house types, financial institutions may in effect, discriminate against low-income groups who face a reduction in the supply of the house type available and affordable to them. The banks therefore discriminate against low-income households not only by directly denying them access to housing finance, or by demanding tough loan requirements, but also by influencing the pattern of housing types, and by acting to form distinct housing sub-markets which favour the production of bungalows. It is worth noting again here that 'other sources' of funds are obviously providing for a lot of large buildings (50.3% of tenement blocks of flats and 98.3%

of tenement rooming houses) without bank loans being involved. As noted in the previous section (8.3.6), since it is likely that 'other sources' mainly represent unconventional sources, this further confirms the importance of unconventional methods of finance.

The thesis further sought to find out whether there is any bias with respect to such factors as income and sector of employment (question 17 in the landlords survey). The data presented in Table 8.11 shows that no applicant earning less than four-hundred naira per month was granted a mortgage. Thus, the banks funded 20.8% of those earning between 400 - 599 naira, 28.6% of applicants earning between 600 - 799 naira, and 65.7% of those earning over 800 naira per month. Clearly, there is, an increase in the number of mortgagees as salaries increase. The data used in calculating this table was derived from the official table of 1987 salary scale for civil servants in Nigeria. The applicants in the public service were asked to state their salary grade and level while those in self-employment were asked to give an estimate of their monthly income (question 18 in the landlords' survey). This method was used because it was not easy to measure income in a Nigerian society since people are usually reluctant to say how much they earn.

Table 8.11: Relationship between income and bank loan (landlords' survey).

Income	Sources of funds: Others	Bank loan	Row Total
90 - 199	55 37.4 100.0%	0 17.6 0.0%	55 11.5% 100.0%
200 -399	97 65.9 100.0%	0 31.1 0.0%	97 20.3% 100.0%
400 -599	38 32.6 79.2%	10 15.4 20.8%	48 10.1% 100.0%
600 - 799	75 71.3 71.4%	30 33.7 28.6%	105 22.0% 100.0%
800+	59 116.8 34.3%	113 55.2 65.7%	172 36.1% 100.0%
Column Total	324 67.9%	153 32.1%	477 100.0%

Chi-square	Degrees of freedom
164.39838	4

At 0.05%, the critical value of Chi-square = 19.998

Table 8.11 demonstrates very powerfully that there is a significant association between sources of housing finance from the banks and income. It is interesting to note that the observed values are higher than the expected values only in group 5, where the mortgagees earn more than 800 naira per month. This shows that, as expected, the financial institutions do favour the high income group more than all other groups, especially the lowest incomes and that the more applicants earn, the greater their chances of securing a mortgage. Obviously, the financial institutions take the income of applicants into consideration while approving applications. They seem to favour "big men" and avoid people in lower incomes completely. This is unlike other sources of finance, discussed in Chapter Nine, which provide funds for all income groups irrespective of their level of income. It is worth noting that income is not easy to measure in an African context as noted above.

It is possible that the decisions of the managers in favour of the high-income group are sometimes based on subjective factors. From available literature and interviews with the managers during the fieldwork, it is fairly clear that they categorize applicants into a set of operational stereotypes ranging from bad risks to good ones, based on perceived risk with income as a major factor. This may not always be a valid assumption as the activities of the Federal Mortgage Bank, discussed in Section 4.3, showed that the favoured high-income group often defaulted in mortgage repayments whereas, in unconventional sources of funding, lower-income groups rarely default, as will be shown in Chapter Nine.

Furthermore, housing expenditure in developing countries is the largest component of the household budget, making up from 5 to 40 percent in the low-income households (Grimes, 1976). Low-income households are known to be more willing to forego other needs in order to save for housing, especially if it will imply an upward social mobility. Hence, categorising them as bad risks, does not take willingness to pay into consideration. Besides, higher income per month is not synonymous with the ability to repay a mortgage despite the fact that, at first sight, it is fairly natural to expect that it should be the most obvious indicator of the potential to repay.

8.3.7. Loans and sectors of employment

It was expected from the conceptual model that financial institutions will take the stability of the applicant's income and future expectations into consideration as well as the size of their present income. In the United Kingdom and in Enugu, this may tend to favour white collar workers, since their pay structure commonly has a built-in annual increment and is not usually subjected to the ups and downs of overtime and short-time working (Knox, 1982). In contrast, other groups like the self-employed have lower chances of obtaining a mortgage because financial institutions use the stability and security of income as criteria for approving loans. In Nigeria, public sector employment is more stable and secure than employment in the private sector because the conditions of service guarantees the security and stability of the job and salary of the public sector employee.

To ascertain whether financial institutions are biased in granting housing loans to applicants from the public sector the respondents were asked to indicate their sector of employment during the survey (question 17 in the landlords' survey). The cross tabulation of these variables is presented in Table 8.12. Since the financial institutions funded 63.0% of the landlords employed in the public sector, but only 23.9% of those from the private sector, it therefore seems that financial institutions tended to favour applicants from the public sector. The significant value of the chi-square statistic confirms that these differences between the two are very unlikely to have occured by chance.

Table 8.12: Relationship between sectors of employment and bank loans (landlords' survey).

Employment	other sources	Banks	Row Total
Public sector	37 67.9 37.0%	63 32. 1 63.0%	100 21.0% 100.0%
Private sector	287 256.1 76.1%	90 120.9 23.9%	377 79.0% 100.0%
Column Total	324 67.9%	153 32.1%	477 100.0%

Chi-square	Degrees of freedom
53.75577	1

At 0.05%, the critical value of Chi-square = 12.116

Moreover, further analysis of the survey of landlords (see Table 8.13 below) as regards form of employment, reveals that the banks funded 62.0% of the employees, 15.1% of the self-employed and 49.5% of the employers. This suggests that the banks favoured the employees and employers more than the self-employed in granting mortgages. It may be worth noting that the employers are from the private sector while the employees are mostly from the public sector and that all of the applicants in self employment are also from the private sector. It may therefore, be argued, that the banks favoured public sector applicants more than those from the private sector directly and indirectly through favouring employees. This tends to confirm the argument of the conceptual model in Section 6.5.1, that the banks do take cognisance of the stability of the applicant's employment as well as actual income while considering their applications for mortgages.

Table 8.13: Relationship between bank funding and categories of employment (landlords' survey).

categories of employment	sources of funds: others sources	sources of funds: bank loans	Row Total
employee	38 67.9 38.0%	62 32.1 62.0%	100 21.0% 100.0%
self employed	236 188.8 84.9%	42 89.2 15.1%	278 58.3% 100.0%
employer	50 67.2 50.5%	49 31.8 49.5%	99 20.7% 100.0%
Column Total	324 67.9%	153 32.1%	477 100.0%

Chi-square	Degrees of freedom
91.62465	2

At 0.05%, the critical value of Chi-square = 15.202

8.3.8. Information restrictions

Apart from subjective decisions based on the managers' perception of income and sectors of employment in relation to mortgage repayments, there are other factors such as inadequate information on the availability of mortgages which may restrict potential applicants from applying. Balchin, et. al. (1985) noted that in developed countries housing finance institutions compete with one another to attract customers through advertisements and other incentives. Bourne (1981), however, argued that information restrictions have resulted in some households having differential access to housing opportunities and the knowledge of how the market works. To determine the extent to which limited formation has affected housing opportunities in Enugu, the landlords/owner occupiers who funded their houses from "other sources" were asked to select one reason from a list of alternatives why they did not apply to the banks for loans (question 6 of the landlords' survey). Restricting their choice to only one alternative may have affected the result in that it is quiet possible that the respondents were influenced by more than one factor. The results are presented in Table 8.14.

Table 8.14: Relationship between methods of acquisition and reasons for not applying (landlords' survey).

	Got Bank loan	A	B	C	D	E	
self build	103 120.0 27.5%	83 83.9 22.2%	73 69.0 19.5%	7 7.8 1.9%	21 19.6 5.6%	87 73.7 23.3%	374 78.4% 100.0%
inherit	7 13.5 16.9%	22 9.4 52.3%	6 7.7 14.3%	0 .9 .0%	2 2.2 4.8%	5 8.3 11.9%	42 8.8% 100.0%
purchase	43 19.6 70.5%	2 13.7 3.3%	9 11.3 14.7%	3 1.3 4.9%	2 3.2 3.3%	2 12.0 3.3%	61 12.8% 100.0%
Column Total	153 32.1%	107 22.4%	88 18.4%	10 2.1%	25 5.2%	94 19.7%	477 100.0%

Chi-square Degrees of freedom

77.33	10

At 0.05%, the critical value of Chi-square = 31.419

The key to the column headings in this table are:

A - Don't know I can apply.

B - Don't know any bank to apply to.

C - Don't need bank loan.

D - Had other sources of funds.

E - Loan requirements were difficult to meet.

This table shows that 22.4% of all the respondents did not know that they can apply to a bank for a mortgage. It shows that more self-buiders (22.2%) did not know they can apply to a bank for a mortgage compared to purchasers (3.3%). In addition, the table shows that 18.4% of the respondents did not know any bank to apply to. This group is slightly higher among self-builders (19.5%) compared to purchasers (14.7%). It is therefore possible that the lower awareness of banking facilities among self builders may help explain why most self builders in Enugu did not use bank loans. Besides, the proportion of the landlords who were unaware of the availability of mortgages from the banks is an indication of the level of communication between the financial institutions and the general public. It suggests that the extent to which information on the availability of mortgages is received by the public is much more complex than it seems. It is worth noting also that in this chi-square table, 4 cells (22.2%) have expected frequencies less than 5 which is slightly in excess of the 20% permitted if the assumptions of the chi-square are to be observed strictly.

As we noted in Section 4.2, financial institutions in Nigeria advertise other services, especially savings deposits through the radio, television, and the print media but not mortgages, with the exception of the United Bank for Africa. Even the United Bank for

Africa's "Saving for House" programme will require a saver to save for a very long period before applying for a housing loan, which in any case is not guaranteed. The banks are therefore more interested in attracting saving deposits than in mortgage lending probably because mortgage lending is less profitable and possibly more complex to administer than saving deposits.

Moreover, with about 9 bank branches serving a population of 693,513 (Doxiadas, 1973), the average number of people for each bank branch in Enugu (77,057), in a single banking day is more than the calculated national average of 74,000. Therefore in some ways, the banks do not really need to compete with each other to attract customers (savers) like their Western counterparts since there are too few for the banking population. As Elegam (1978) estimated, in Nigeria it takes two to three hours to carry out a simple banking transaction like depositing or withdrawing. In addition, the banks are much more interested in investments that yield quick profits in the short run, than in housing finance which yields a longer and slower return. Furthermore, risks that are peculiar to housing finance such as loan recovery, high transaction costs, and the problem of the varied nature of the households being served, have led the institutions to take to policies that minimize risks. They have therefore concentrated on services such as foreign exchange transactions (Pini, 1991), instead of housing finance and in effect, it may be argued that this reduces the number of loans granted, the rate of urban housing construction, and consequently the supply of residential housing. These policies have direct consequences on the majority of households who are mainly renters. For example, any short-fall in the supply of residential accommodation, tends to lead to rent increases which mostly affect households who pay rent. Moreover, with so much partly rented accommodation, any reduction in the construction of houses for sale, is likely to affect prices in the purchase sector and rents for the rental sector. Consequently, this may lead to a reduction in household savings or in the amount of money households spend on other household needs such as food and clothing. The savings potential of the households is further discussed in Chapter Nine.

Burgess (1982) has argued that the main cause of housing deficit in developing countries is their dependent relationship to the dominant interests of international capital controlled mainly in the developed countries and increasingly 'penetrating' the developing economies. Burgess similarly argues that the housing deficit is mainly the result of the way the interests of industrial capital increasingly dominate housing production in developing countries, placing small scale and traditional methods of housing construction in a dependant or subordinate relation and leaving these methods to largely cater, however inadequately for the poor. Burgess's argument is that it is the structure of the capitalist system and its growing impact on cities in the developing countries which essentially produces their housing problems and he criticizes Turner for assuming that their housing problems can be alleviated without fundamental changes to the capitalist system.

The behaviour of Nigerian banks in preferring foreign exchange transactions and other forms of investment and their lower level of interest and investment in housing is clearly a major factor in the persistence of Enugu's housing shortage and the associated high rents. To this extent, Burgess's argument that the urban housing deficit is inextricably linked to the logic and structure of the capitalist system seems to be valid to a certain extent, as regards the role of the conventional financial institutions.

It also possible to argue that by having tough requirements to meet for loans and by funding those who can meet these quite generously, while denying finance to middle income groups who cannot meet the requirements but could probably repay loans as consistently and reliably as higher income groups, the banks may well be effectively increasing social inequalities. The owner of housing to rent in Enugu in present market conditions benefits from possession of a commodity which clearly yields a good steady income. By making it easier for certain people to acquire this resource while denying it to others, who may simply need a house for their own use as owner occupier, the banks are therefore tending to increase inequalities in income. It could be argued, for instance that if the banks only gave their present borrowers exactly what they asked for, they would have more funds available to loan to applicants with lower incomes, without sacrificing any profit. In so far as the existing pattern of lending could be changed without detriment to bank profits, the existing practices can be understood in terms of the biased behaviour of large centrally controlled bureaucratic systems, which has some similarities with the views of Turner on government controlled housing systems.

Thus it is possible to debate the extent to which the policy of the banks in this respect is necessarily determined by the logic of capitalist investment as Burgess would see it and to what extent it is due to somewhat bureaucratic 'gatekeeping' tendencies favouring those already well off as Turner (1976) might emphasize. This debate cannot be resolved here without much more detailed information on bank policies and investment, which are not obtainable.

8.3.9. Household savings and housing finance

The savings capabilities of the household are important in planning for any savings mobilization programme. The savings potentials of households, however, vary from community to community. Though, the majority of urban dwellers in developing countries are assumed to be in the low-income group, this does not mean that they have no savings. As Grimes (1976) and Vogel, et. al. (1986) noted, they are more encouraged to save if such savings will guarantee them access to housing finance. The financial institutions appear, however, to have used their low-income status to deny them access to mortgages. It is worth noting here that 475 or 99.6% of the respondents in the landlords survey used personal savings in combination with other sources of finance in providing funding for their house acquisition (question 2).

The restrictive policies of the banks can be criticized on the grounds that a large proportion of the respondents in both surveys save with the banks. For example, when the interviewees in both surveys were asked to say whether they save regularly in the banks, the results showed that 90.4% of the landlords/owners occupiers (question 14) and 64.0% of the tenants (question 15) save regularly with the banks identified above. When respondents in the household survey were also asked to say whether they had ever applied to the banks for any type of loan (question 16 in the household survey), the result showed that 38.4% had. When those who had applied were further asked to say the type of loan they had applied for, the result revealed that 24.3% had applied for housing loans, while 75.7% applied for capital for business and vehicle loans.

When those who applied for housing loans were asked to say whether their loan applications were successful or not only 44.4% of those who applied for housing loans had their loan applications approved (question 19 in the household survey). These people might have built their houses in another town or might have been in the process of building in Enugu while still renting. Most of the applicants, whether successful or not encountered some problems when they applied even if they eventually had access to loans (question 21 in the household survey). For example, as discussed in Section 8.2.5, some of the applicants, could not provide acceptable security or collateral for the loan or a certificate of occupancy or the building or survey plans for the plot of land they want to develop. Others were told there were no funds available or said they did not know a friendly manager or faced delays before their loans were approved. There are also some tenants who did not know they could apply for housing loans from their banks. For example, when those tenants who did not apply were asked the main reason they had for not applying , 17.4% did not know they could have applied and 13.3% did not know any bank to apply to (question 22 in the household survey). Of the rest, 4.2% did not need bank loans, while 0.6% had other sources of finance and 64.5% felt they could not meet the loan requirements. As we noted earlier with landlords, tough loan conditions and lack of information were hindrances also to tenants having access to housing finance, though a sizable proportion of the respondents save regularly with the financial institutions.

8.4. Summary

The survey has identified three distinct house types - bungalows, tenement blocks of flats, and tenement rooming houses as the predominant house types in Enugu. The major form of ownership is through self-build due to the absence of speculative builders, who build houses for sale. This absence is directly related to the underdeveloped nature of the housing finance system and institutions. In addition, the unwillingness of the existing financial institutions to grant housing loans without bias to any class of applicants has encouraged ownership through self-build. The survey has also shown that the banks funded relatively few houses compared to other sources of finance. The managers of financial institutions have, however, argued that the provisions of the Land Use Decree, limits their full participation in house funding. In fact they could largely avoid this problem by including a proviso in their mortgage deeds which would compel borrowers who used certificate of occupancy as security/collateral to repay their loans, if their right of occupancy is revoked. The financial institutions are, however, more willing to lend for repairs which are smaller amounts, than to grant loans for the construction of new houses largely, because the applicants for such loans already have houses which they pledge as security for the loan. The landlords/owner-occupiers who were funded by the banks as 'good risks' were often funded quite generously, sometimes obtaining more than the cost of the house for reasons discussed in Section 8.3.1 and sometimes more than they applied for reasons that are not clear. The banks clearly favoured purchased houses though in absolute terms they funded a lot of self built houses whereas the conceptual model had postulated the latter would be funded primarily by unconventional institutions. As regards house types, the banks seemed biased towards the production of bungalows and tenement blocks of flats. 'Other sources' which include unconventional institutions funded many tenement blocks and rooming houses. Predictably, the banks favoured applicants in the high income groups. Applicants from the public sector were favoured also more than those from the private sector, as expected from the conceptual model because of the stability of their employment and salary structure.

The survey revealed that the financial institutions funded less than one third of the houses probably because they regard housing finance as a risky business; hence information regarding mortgages is not fully publicized. Lack of information on bank policies and investments has also limited the extent to which the activities of the financial institutions could be discussed in relation to the Turner - Burgess debate.

Moreover, since there are fewer banks than the banking population warrants, the institutions do not seem to strive hard to attract customers. Nevertheless, the lending policies of the banks appear to favour the production of bungalows and tenement blocks of flats rather than tenement rooming houses, which the low-income group often rent. By discriminating against self employed applicants from the private sector who are probably the main producers of tenement rooming houses, the institutions not only influence the structure, but also the stock and the supply of houses. This discrimination has, however, compelled self-builders to look for funding from unconventional sources of finance, such as isusu, social clubs and small saver schemes, which will be discussed in Chapter Nine.

Chapter 9
Access to and use of Unconventional Housing Finance in Enugu

9.1. Introduction

This chapter presents the results of the analysis of how unconventional finance institutions, some of which were only identified during field work, are used in Enugu. It also investigates the relationships between them and conventional institutions. As indicated previously, the unconventional institutions are isusu groups, daily small saver schemes, social clubs and joint financing schemes. The investigation also includes a study of small saver schemes carried out during the fieldwork which shows that they coexist as well as interact with conventional financial institutions. The main concern of the chapter is to examine, using the data collected, the contributions of all the unconventional institutions to housing finance in Enugu and the part they play in making housing finance accessible to different classes of urbanites. From this it is argued that isusu and daily small saver schemes could benefit from developing stronger links with conventional institutions since they both fill an important gap in the system of housing finance.

The results of the analysis of the data collected in the surveys of landlords and tenants are discussed first. This is followed by a study of four small saver groups which were investigated in the field and the chapter will then deal with daily small saver schemes and joint financing. The main focus of the chapter is on the relationships between unconventional finance institutions and factors such as house types, categories of employment, sectors of employment, means of acquisition and income of the respondents and on the way different methods of finance are combined.

9.2. The use of isusu among owners

In Enugu, both general and specific groups of unconventional institutions exist side by side. General purpose groups are those groups in which members do not save for any specific objective and they may use their savings to meet any of their pressing needs, while specific groups are those in which members save for a definite need common to all the participants. The studies of Haggeblade (1978), Oludium (1982), Von Pischke and Rouse (1983), Mbaru (1977) and Nwachukwu (1983) show that small saver schemes and ethnic organisations make useful contributions to agricultural and general urban development, but their role in financing housing has been largely neglected in the literature.

It is important at the onset to note how often each of the main sources of finance in the landlords survey was used, because this helps to give some indication of their relative popularity and, possibly, importance. Table 9.1, sets out the main types of finance included in the survey and the number of owners who stated they used each in response to question 2 (Appendix A).

Almost all owners (99.6%) used personal savings. Whereas less than one third (32.1%) used bank loans and only 13.2% used social clubs, 80.1% used isusu. Further calculations show that the mean number of methods used was very slightly over three (3.05). It is clear from this figure and the table itself that nearly everyone must have used at least two sources. It also seems reasonable to describe the typical pattern of finance as consisting of personal savings, plus isusu (in the large majority of cases), plus one other method (usually 'any other means' or bank loans or money inherited or social club funding in descending order of frequency).

Table 9.1: **Common sources of finance (Landlords survey).**

Source of finance	No of Users	% of users.
Personal savings	475	99.6%
Bank loans	153	32.1%
Isusu	382	80.1%
Social club	63	13.2%
Money inherited	118	24.7%
Any other means	262	54.9%

Since almost everyone used personal savings, we cannot link or correlate its use or non-use to other factors or housing variables as it is used by everyone and for every kind of house type. Since nearly all owners are combining more than one method we have to look at how they are combined and whether any particular combinations may be favoured, a topic addressed in later sections of this Chapter. However, it is inherently difficult to examine in depth all the different combinations involved and space does not permit these to be treated here, but attempts will be made to gain some insight into the main patterns of combination, especially of conventional and unconventional sources of finance. It is worth noting that 'any other means' is really a 'miscellaneous' or 'catch all' category of finance. It is likely to include the two institutions which were not known to the author when the survey was designed and started (daily small savers schemes and joint financing). It may also include borrowing money from relatives, colleagues or money lenders (direct financing) and may be used by people who do not want to disclose their source of finance. Money inherited, while a source of finance, is not strictly a financial institution whether conventional or unconventional. Thus the main institutions identified (bank loans, social clubs and isusu can be used in combination not only with personal savings but with each other and with 'any other means.'

As noted in Section 5.1 above, isusu is a form of rotatory credit union that is used to provide finance for various purposes, one of which is housing. In order to determine how widespread it is among our sample population, all the respondents in both surveys [1] were asked to indicate whether they were members of any isusu groups. The research also sought to ascertain from the owners who are members of isusu groups, whether they had applied to their groups for housing loans (question 11 in the survey of landlords). In addition, it sought to find out if there was any relationship between isusu as a source of housing finance and such variables as house type, means of ownership, sector of employment and income group.

Data concerned with these relationships in the landlords' survey are shown in Tables 9.2 to 9.10 below. As in Chapter Eight, the relationships are examined mainly by using cross-tabulations and chi-square analysis. In each table, the first figure in each cell is the observed frequency, followed by the expected value, and thirdly by the observed value as a percentage of the row total concerned.

In order to determine the extent to which isusu as a source of housing finance contributed to the funding of different house types, the owners were asked to indicate whether their sources of funding include use of isusu (question 2 in the survey of landlords). Table 9.2 shows that isusu contributed to the funding of 80.1% of all house types and that more than 50% of the owners of each house type used isusu. It is worth emphasizing that this does not necessarily mean that isusu was the sole or principal source of finance for four-fifths of housing in Enugu, but rather that isusu made some contribution to that number of houses. As

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[1]The landlords survey is a survey of landlords and owner occupiers. In the remainder of the thesis these will be referred to as "owners" when taken together.

noted earlier, for virtually all owners personal savings made some contribution to housing finance and it is possible that some isusu users also made use of bank loans or social clubs or money inherited or 'any other means' in financing their housing. It was not possible to ask respondents how much each respective source had contributed to their housing and even if it had been possible, it would probably have been difficult for the respondents to recall the actual amounts contributed by each source in relation to a decision made several years ago or in the case of self-build, a process which extended over some years and during which different sources contributed varying amounts at different times. Lacking such information the total number of users of isusu has to be taken as the first index of isusu's importance, despite the uncertainty associated with its actual quantitative significance. It may also be worth noting here that the complex and intermittent way in which self built housing is financed and built makes it very difficult to estimate its true cost. Thus the assertions made by Burgess that the 'artisanal' housing he appears to advocate is cheaper than 'self-help' housing advocated by Turner must be very difficult to test satisfactorily in many circumstances because both involve a strong element of self-build. This is certainly the case in Eastern Nigeria for the reasons just given , but also because self built houses involve varying amounts of wage labour, as noted in Chapter 6.

Table 9.2: Relationship between isusu funding and house types in the landlords' survey.

Sources of finance for housing

	Isusu contributing	Isusu Not contributing	Row Total
bungalow	52 76.1 54.7%	43 18.9 45.3%	95 19.9% 100.0%
t.block of flats	113 114.5 79.0%	30 28.5 21.0%	143 30.0% 100.0%
t.rooming house	217 191.4 90.8%	22 47.6 9.2%	239 50.1% 100.0%
Column Total	382 80.1%	95 19.9%	477 100.0%

Chi-square	Degrees of freedom
55.56	2

At 0.05%, the critical value of Chi-square = 15.202

While the diverse ways in which isusu was being used must be borne in mind, it is also noticeable in Table 9.2 that the observed values are somewhat higher than expected for tenement rooming houses, where 90.8% of the owners of this house type used isusu, compared to 79.0% of the owners of tenement blocks of flats. Thus while isusu was widely used as a source of housing finance, it seems to be particularly favoured by the owners of tenement rooming houses. Conversely, it was less popular among owners of bungalows, where only 54.7% of the landlords used it. There is therefore a clear difference between the owners of bungalows and tenement rooming houses. This striking relationship between house types and the use of isusu is statistically significant at the 0.001% level.

This widespread use of isusu across all house types contrasts with the use of conventional institutions, discussed earlier in Section 8.3.5, which favoured the supply of bungalows through purchase more than any other house type. Although isusu funded more tenement rooming houses than either tenement blocks of flats or bungalows, it appears to be much more flexible and more favourable to the whole range of house types than the banks were. For example, the banks funded few tenement rooming houses compared to bungalows (see Table 8.10 above). Whereas 79.0% of owners of tenement blocks of flats, made some use of isusu, only about half had bank loans. One has to bear in mind here that those using isusu are not necessarily using it on its own and may well be combining it with other sources of finance, a point which will be discussed shortly and again later in this chapter. Even when some allowance is made for this, however, it seems reasonably clear that isusu is a very widely used source and has some role in financing housing for a very large number of owners.

To obtain further insight into the real importance of isusu it was desirable to find out how many isusu users were using isusu without combining it with other sources, while bearing in mind that virtually all isusu users are also drawing on personal savings. To help in separating the role of conventional finance institutions from the unconventional, it was decided to examine the use made of isusu where it was not combined with loans from banks. The resulting tabulations therefore separated on one hand respondents who are using isusu without combining it with bank loans (but who may combine it with other, essentially unconventional, methods of finance) and on the other hand, respondents who are either not using isusu at all or are combining it with bank loans. The former category is denoted by isusu 'uncombined' and the latter by 'others' in the ensuring tables. The result of cross-tabulating these two categories of respondents against house types is shown in Table 9.3. Similar cross-tabulations are given in Tables 9.5, 9.9 and 9.11 for some of the other key variables in the analysis.

Table 9.3: Relationship between isusu funding (without bank loan) and house types (Landlords' survey).

House types	Isusu* 'uncombined'	Others* (including isusu in combination)	Row Total
bungalow	14 59.0 14.7%	81 36.0 85.3%	95 19.9% 100.0%
t.block of flats	66 88.7 46.2%	77 54.3 53.8%	143 30.0% 100.0%
t.rooming house	216 148.3 90.4%	23 90.7 9.6%	239 50.1% 100.0%
Column Total	296 62.1%	181 37.9%	477 100.0%

Chi-square	Degrees of freedom
187.10207	2

At 0.05%, the critical value of the Chi-square = 15.202

* See text for explanation of what these categories include.

Table 9.3 thus compares owners who used isusu 'uncombined' with those who used other sources only or used isusu in combination with bank loans. In both Tables 9.2 and 9.3 isusu funded a much higher proportion of tenement rooming houses than bungalows with tenement blocks of flats occupying an intermediate position. A striking contrast, however, is that while the proportion of bungalows funded by isusu in combination with other sources in Table 9.2 is 54.7%, the equivalent percentage in Tables 9.3, where it was not used in combination with bank loans, is much lower at 14.7%.

Clearly, most of the 52 owners who used isusu to fund their acquisition of bungalows are combining isusu with bank loans, while only 14 are using isusu 'uncombined' with these two sources. Of the 113 owners who used isusu to fund acquisition of tenement blocks of flats, slightly more than half (66) were using it 'uncombined'. In contrast, virtually all (216 out of

217) of those who acquired tenement rooming houses with isusu used it 'uncombined'. Thus nearly all tenement rooming houses and a majority of tenement block of flats were built without the conventional financial institutions being involved at all. While this analysis does not allow the relative contributions of isusu, personal savings, social clubs, money inherited and any other means to be assessed, by excluding bank loans, it provides clear evidence of the importance of all the 'unconventional methods and personal savings taken together. It is also consistent with the view that isusu, along with personal savings, may well be the most important of the 'unconventional' methods, though it does not provide conclusive proof of this. It is also clear that when the higher status and higher income groups involved in acquiring bungalows use isusu, they are likely to do so in combination with bank loans. This is also true to a lesser extent for those acquiring tenement block of flats.

Isusu therefore provided for a wider variety of urban residents with the fact that it is less rigid, less exclusive with simpler principles and less restrictive than the banks probably being the main reasons. In addition, it is easily accessible to both rich and poorer households, and to both literate and illiterate house owners. Although bungalows, largely acquired through purchase, were less favoured by isusu, it is clear that isusu particularly suits the self-builders who supplied most of the tenement rooming houses and tenement blocks of flats in the absence of large scale building companies. As we noted in Section 6.5, self-builders seem much more likely to use isusu than the banks because it allows them to build in instalments as funds become available. Nevertheless, isusu has made a significant contribution to bungalow building, particularly in combination with other sources, further illustrating its wider popularity and flexibility.

In addition to examining the relationship between isusu and house types, the research sought to establish whether there was any relationship between isusu as a source of finance and any particular employment category (questions 2 and 16 in the landlords survey). Because unconventional financing is often thought to be associated with the low-income and self-employed groups, the respondents were asked to indicate their employment category. The crosstabulations for the relationship between the respondents' employment status and their use of isusu as a source of housing finance (either 'uncombined' or in combination) is presented in Table 9.4 below.

Table 9.4: Relationship between employment category and isusu funding (landlords' survey.)

	Isusu funded	Others	Row Total
Employer	67 79.3 67.7%	32 19.7 32.3%	99 20.8% 100.0%
Self-employed	248 222.6 92.2%	30 55.4 10.8%	278 58.3% 100.0%
Employee	67 80.1 67.0%	33 19.9 33.0%	100 21.0% 100.0%
Column Total	382 80.1%	95 19.9%	477 100%

Chi-square	Degrees of freedom
34.8	2

At 0.05%, the critical value of Chi-square = 15.202

The results show that a higher proportion of the self-employed (92.2%) were isusu users than was the case for employers or employees. However, the table also indicates that over two thirds of owners in each employment class used isusu. This contrasts interestingly with the banks which favoured the employees and employers more and gave loans to few people in self-employment (Cf. Table 8.13). Thus whatever combinations of finance are involved for the self-employed, it is clear from comparing Tables 8.13 and 9.4 that only 42 at most out of 248 using isusu included bank loans in the combination. The chi-square statistic confirms that the differences between the employment categories in use of isusu are statistically significant. As we noted earlier (Section 6.5.2), self-employment is likely to be perceived by bank managers to be more risky when considering to whom to give bank loans because future income appears less certain than for salaried government employees, even when average earnings are high. This probably helps to explain why the self-employed are more likely to resort to isusu. Moreover, most people in self-employment are skilled craftsmen and traders who probably find isusu a more convenient means of saving and borrowing than the banks because as noted earlier, isusu practice is very straight -forward, accords with cultural traditions and involves less paper-work than banks.

Further examination of the relationship between isusu (without bank loans) and different classes of employment is shown in Table 9.5 below.

Table 9.5: Relationship between isusu funding (without Bank loans) and categories of employment (Landlords' survey).

	Isusu* 'uncombined'	Others* (including isusu in combination)	Row Total
employer	47 61.4 47.5%	52 37.6 52.5%	99 20.8% 100.0%
self-employed	223 172.5 80.2%	55 105.5 19.8%	278 58.3% 100.0%
employee	26 61.4 26.0%	74 37.6 74.0%	100 21.0% 100.0%
Column Total	296 62.1%	181 37.9%	477 100.0%

Chi-square Degree of freedom

103.08407 2

At 0.05%, the critical value of chi-square = 15.202

* See text for explanation of what these categories include.

The relationships in both Tables 9.4 and 9.5 have some broad similarities: isusu 'uncombined' funded a much higher proportion of people in self-employment and fewer employees and employers as did isusu 'combined' in Table 9.4. It is clear that most self-employed owners who were funded by isusu used it 'uncombined' with bank loans. Similarly, in the employers category, a majority (47 out of 67) used isusu 'uncombined'. The key difference between the tables, however, is that it is clear that less than half of the employees (26 out of 67) use it 'uncombined'. These results are therefore consistent with the hypothesis that the self-employed and to a lesser extent employers are more dependent on isusu whereas employees appear less dependent on it in that they are more likely to combine it with bank loans. This accords broadly with the relationships postulated in the model put forward in Chapter Six.

The respondents were further asked to indicate whether they were currently members of isusu or not. The focus here is on the spread of isusu membership across the different categories of employment regardless of whether or not it is actually used for housing finance. The analysis of the relationship between current isusu membership and employment status is presented in Table 9.6. The basic pattern of the relationship is very similar to Table 9.4 with slight increases in each category, indicating that slightly more people were members of isusu groups (87.6% of all owners) than actually use isusu for housing finance. Conversely, most respondents who were members of isusu groups were using it for housing finance.

Table 9.6: Relationship between current isusu membership and owners' employment status.

	Membership of Isusu: Yes	Membership of Isusu: No	Row Total
Employer	73 86.8 73.7%	26 12.2 26.3%	99 20.8% 100.0%
Self-employed	263 243.6 94.6%	15 34.4 5.4%	278 58.3% 100.0%
Employee	82 87.6 82.0%	18 12.4 18.0%	100 21.0% 100.0%
Column Total	418 87.6%	59 12.4%	477 100%

Chi-square	Degrees of freedom
33.02816	2

At 0.05%, the critical value of Chi-square = 15.202

It is interesting to note that of the 82 isusu members who were employees, 67 (81.7%) used it to finance their housing while 15 (18.3%) did not. It is not surprising that a higher proportion of the self-employed were isusu members, since they were less likely to have access to mortgages from conventional institutions for reasons noted already. However, Tables 9.4 and 9.6 further confirm that isusu membership and use are not limited to any particular sector of employment, but that isusu provided funds for a higher proportion of each employment category than the banks (cf.Table 8.13). This would therefore appear to confirm that it is more accessible to users from all sectors of employment than conventional institutions. Thus the popular conception which associates isusu mainly with the self-employed and lower income groups is misleading.

In addition to being accessible to users from any sector of employment, isusu also provides finance for people working in both the public and private sectors of the economy.

As evidence of this, Table 9.7 shows that the proportions of membership were very high for both sectors (question 17 in the landlords survey). Consequently, the calculated chi-square statistic suggests that there is no significant statistical relationship at either the 0.05% or the 5% level between isusu membership and employment in public and private sectors of the economy, although there is a slightly higher participation among the private sector employees (89.1%) than among those in the public sector (82.0%). Thus the importance of isusu as a method of finance is further emphasized by the fact that its membership was not limited to one sector of the economy.

Table 9.7: Relationship between isusu membership and sector of employment (landlords' survey).

	Isusu membership: Yes	No	Row Total
Public sector	82 87.6 82.0%	18 12.4 18.0%	100 21.0% 100.0%
Private sector	336 330.4 89.1%	41 46.1 10.9%	377 79.0% 100.0%
Column Total	418 87.6%	59 12.4%	477 100.0%

Chi-square	Degrees of freedom
3.07322	1

At 0.05%, the critical value of Chi-square = 12.116

At 5%, the critical value for chi-square = 3.84

When the relationship between the use of isusu and means of acquisition of housing is considered, isusu is found to have contributed to the funding of a significantly higher proportion of self-builders (85.6%) than purchasers (63.9%) (Table 9.8). This is broadly consistent with the conceptual model put forward in Chapter 6 which argued that isusu is favoured more by self-builders than purchasers. However, these results differ from the model quite markedly in that isusu was also being used, at least for part of their funding, by a high proportion of purchasers. In fact, isusu appears to be making a contribution to funding almost as many purchasers as are banks whose loans helped to fund 70.5% of acquisitions (Table 8.10). These results again contrast with the clear bias of the banks towards funding purchased houses rather than self-build.

Table 9.8: Relationship between isusu funding and means of acquisition(landlords' survey).

Sources of finance for housing

	Isusu funded	Others	Row Total
self build	320 229.5 85.6%	54 74.5 14.8%	374 78.4% 100.0%
inherit*	23 33.6 54.8%	19 8.4 45.2%	42 8.8% 100.0%
purchase	39 48.9 63.9%	22 12.1 36.1%	61 12.8% 100.0%
Column	382 80.1%	95 19.9%	477

* Refers to original source of funds for the house which they have inherited.

Chi-square	Degrees of freedom
33.895	2

At 0.05%, the critical value of Chi-square = 15.202

Thus isusu is a source of finance which seems to be fairly accessible to all owners irrespective of their means of acquisition. By its nature, isusu is easily adaptable to the needs of self-builders but it is perhaps surprising to see it is used, at least in part, by so many purchasers who need large sums of money at the outset, which isusu seems unlikely to provide. Question 2 in the landlords' survey was designed in such a way that it asked what methods they had used to fund the house concerned and this should therefore rule out isusu being given as a reply here unless actually used for housing. It is also possible that these purchasers are using isusu to help meet their mortgage payments, though the question from which this data is drawn did ask specifically about the method of finance used for purchase. Thus, although Table 9.8 accords with some of the conclusions of the conceptual model it also provides some evidence that purchasers may have been making more use of isusu than expected.

Further evidence regarding the use of isusu is shown in Table 9.9 below, in which the use of isusu uncombined with bank loans is considered.

Table 9.9: Relationship between isusu funding (without bank loans) and means of acquisition (Landlords' survey).

Methods of acquisition	Isusu 'uncombined'	Others (including isusu in combination)	Row Total
self build	257 232.1 68.7%	117 141.9 31.3%	374 78.4% 100.0%
inherit*	23 26.1 54.8%	19 15.9 45.2%	42 8.8% 100.0%
purchase	16 37.9 26.2%	45 23.1 73.8	61 12.8% 100.0%
Column Total	296 62.1%	181 37.9%	477 100.0%

*Refers to original source of funds for the house which they inherited.

Chi-square	Degrees of freedom
41.24629	2

At 0.05%,the critical value of chi-square = 15.202

In both Tables 9.8 and Table 9.9 isusu funded a higher proportion of self-build houses (85.6% and 68.7% respectively) than those purchased. The contrast between the two tables is, however, found in the proportion of purchased houses. Approximately sixty-four per cent (63.9%) of those who bought their houses used isusu in all forms combined or uncombined compared to 26.2% who used isusu 'uncombined' with bank loans. The analysis in Section 8.3.1 showed that most of the 153 landlords who got bank loans were generally funded adequately. While it may be queried whether purchasers using both isusu and bank loans were using isusu for other purposes than housing, it is more likely that people using isusu and bank loans belong to the minority who got bank loans which were less than the cost of their house or less than what they applied for (Figures 8.3 and 8.4) and who therefore needed isusu to top up their loan, as suggested might happen in the conceptual model. This accords with the hypothesis that, although both self-builders and purchasers make extensive use of isusu, purchasers appear to be less dependent on it.

In order to establish whether the use of isusu was limited to certain income groups the income groupings of the owners were cross-tabulated against the use of isusu as a source of funding (Table 9.10). The result shows that isusu made some contribution to funding the housing of all income groups, a further contrast with banks which seemed to concentrate very largely on the highest income group (cf. Table 8.11). Although isusu helped to fund a high proportion of all income groups, it provided for a somewhat higher proportion of people in the lower and middle income groups (74.5%, 85.4% and 83.8% respectively) than for those in the highest group (68.6%). If this table is compared with Table 8.11, it can be seen that while none of the owners in the two lowest income groups obtained bank loans, they apparently had easy access to isusu funding.

Table 9.10: Relationship between isusu funding and income groups.

Income group		Isusu funded	Others	Row Total
1.00	Count	41	14	55
	Expected	44.0	11.0	11.5%
	Row %	74.5%	25.5%	100.0%
2.00	Count	94	3	97
	Expected	77.7	19.3	20.3%
	Row %	96.9%	3.1%	100.0%
3.00	Count	41	17	48
	Expected	38.4	9.6	10.1%
	Row %	85.4%	14.6%	100.0%
4.00	Count	88	17	105
	Expected	84.1	20.9	22.0%
	Row %	83.8%	16.2%	100.0%
5.00	Count	118	54	172
	Expected	137.7	34.3	36.1%
	Row %	68.6%	31.4%	100.0%
Column Total		382	95	477
		80.1%	19.9%	100.0%

Chi-square	Degrees of freedom
34.25026	4

At 0.05%, the critical value of chi-square = 19.998

As hypothesized in Chapter 6, owners in the higher income groups are much more likely to be funded by the banks, which may help to explain their slightly lower participation in isusu. From the author's experience, isusu meetings often serve as something of a social forum, especially for people in higher income groups to interact with their professional peers. Thus it is possible that the interest of such people in isusu is partly social and partly financial. The main contrast with banks, however, is in the lower income groups. Since these groups appear to have little chance of bank funding, it would appear from these results that, unless they have other sources of finance, they must depend very heavily on isusu for purely economic reasons.

If this is the case, it represents a significant contrast with the less narrowly economic interest of the higher income groups in isusu.

To find out which income groups were combining isusu with bank loans and which were not, similar computations to those discussed above were carried out and these are shown in Table 9.11. It can be seen from this that isusu 'uncombined' again funded somewhat more people in the lower and middle income groups. It is also noticeable that the biggest difference between Tables 9.10 and 9.11 is for the highest income group where only 56 used isusu 'uncombined' with bank loans out of 118 who used it altogether. This further strengthens the conclusion that owners in the lower and middle income groups relied more heavily on isusu than those in the highest income group. It is possible that for those with the highest incomes who used both isusu and bank loans, isusu formed a much smaller proportion of their funding for the actual purchase and that they used isusu as much for social and traditional reasons as for economic ones. The apparently large number of purchasers using isusu (63.9%) noted in Table 9.8 may thus represent less real money than this figure suggests.

Table 9.11: Relationship between isusu (without bank loans) and income groups (landlords' survey).

Income groups	Isusu 'uncombined'	Others (including isusu in combination)	Row Total
1.00	41	14	55
	34.1	20.9	11.5%
	74.5%	25.5%	100.0%
2.00	94	3	97
	60.2	36.8	20.3%
	96.9%	3.1%	100.0%
3.00	35	13	48
	29.8	18.2	10.1%
	72.9%	27.1%	100.0%
4.00	70	35	105
	65.2	39.8	22.0%
	66.7%	33.3%	100.0%
5.00	56	116	172
	106.9	65.3	36.1%
	32.6%	67.4%	100.0%
Column Total	296	181	477
	62.1%	37.9%	100.0%

Chi-square	Degrees of freedom
120.58972	4

At 0.05%, the critical value of chi-square = 19.998

The owners were asked to say how much money they got as loan from their isusu groups, but only 68, which represents 17.8% of the 382 isusu users, actually gave amounts (questions 11 and 12 Appendix "A"). Furthermore it was not possible to ask respondents about the sums of money contributed by all sources for reasons discussed earlier in this section. Thus the view that the amounts contributed by isusu vis-a'-vis bank loans and other sources are relatively less important for higher income groups, purchasers and bungalow owners cannot be tested directly by statistical methods from the data collected in Enugu and must await further research. The large proportion of owners who were unable or unwilling to give the exact amount they got from isusu is probably explained by the fact that the amounts they got came in bits over a long period and many of the respondents were involved in more than one isusu group at the same time. A higher proportion were, however, able to remember their bank loans probably because they came as a bulk sum and were more readily documented.

9.3. Use of credits unions by tenants

There are many households in urban Africa that are content to rent their accommodation, especially if they are not committed to long-term urban residence. However, as La Fontaine (1970) notes, there are others that are committed to long-term urban residence and would like to own their houses, but cannot afford to do so. For those who do not desire to own a house in the town, having a house in the village is often considered more important (Peil, et.al. 1984). Such people prefer to live in rented apartments in order to save money to build a "modern" house in their villages, especially as ownership of a house in the village is often seen to be more prestigious in Igbo society than one in the town. In either case, finance is important for home ownership, especially as most households have limited access to conventional finance institutions. Access to housing finance, as we noted in Section 2.2, is easier in Western industrialized countries than in most African societies. Mortgages are often available with amortisation periods extending between twenty and thirty years and mortgagees are granted tax relief on their housing loans as an incentive towards home ownership. This differs from the situation in Nigeria where mortgages are not easily accessible and available to those who need it. Many aspiring house owners in urban areas, unlike their western counterparts, buy plots from town planning authorities to build houses, as noted earlier. To investigate the situation of people who did not already own housing the research aimed to interview a sample of 40 tenants or household heads in rented accommodation from each of the 13 townships (shown in Figure 8.1) in Enugu. The interview schedule for this is given in Appendix B. Four hundred and ninety-four respondents were successfully interviewed in the field.

This household survey included questions on whether tenants actually owned houses outside Enugu and the source(s) of finance they used in the purchase or construction of such houses (Appendix B, Section C, questions 23 and 26 in the household survey). When the tenants who had houses outside Enugu were asked to indicate the main types of saving methods they used in building their houses, 60.5% said they financed the construction from personal savings; 10.7% from bank loans; 56.9% through isusu funding; 22.3% from social clubs; 4.7% from money inherited; and 13.2% through other sources they did not disclose. In the tenants survey, 68.8% of all respondents were members of credit unions, while 96.4% were aware of the existence of isusu groups which they considered to be worth joining. As we already noted, isusu is the main type of rotatory credit union practiced in Eastern Nigeria and such groups include some that contribute specifically for the purchase of urban land or of building materials or for paying rents. As already noted, access to funds from isusu or credits from social clubs is not limited to any class of urban resident or income group. Whereas regularity in payment of contributions guarantees an isusu participant access to housing funds without much difficulty, savings in the bank does not.

Tables 9.12 to 9.16 show the relationships between such variables as membership of rotatory credit unions and class and sector of employment of the tenants, means of acquisition, savings with the banks and sources of funds. The survey was particularly concerned to find out whether membership of a credit union appeared to hinder or restrict their ability to save in conventional financial institutions. It may be helpful to recall here that 'credit union' is a more general term than isusu, which is a particular type of credit union. It is also worth noting that those 'employers' who are tenants are self-employed and hire others to work for them. Employees include all categories of workers employed in either the public or private sector.

Table 9.12: Relationship between employment class and membership of credit unions(household survey).

	Member of credit union: Yes	No	Row Total
Employer	12	22	34
	23.4	10.6	6.9%
	35.3%	64.7%	100.0%
Self-employed	175	38	213
	146.6	66.4	43.1%
	82.2%	17.8%	100.0%
Employee	153	94	247
	170.0	77.0	50.0%
	62.0%	38.0%	100.0%
Column Total	340	154	494
	68.8%	31.2%	100%

Chi-square	Degrees of freedom
40.92	2

At 5%, the critical value of Chi-square = 15.202

Table 9.12 shows that 68.8% of the respondents in the survey of tenants were members of credit unions. This table also shows that employers (35.3%) were less likely to be members than either the self-employed (82.2%) or the employees (62.0%). It therefore seems evident that the proportion of the self-employed who were members of a credit union was significantly higher than for the other two groups and the significant chi-square result confirms this. As noted at several points already in discussing the survey of owners, the largest proportion of membership was found among the self-employed probably because they were less provided for by the existing conventional institutions and were therefore more likely to be attracted to credit unions. The employees, a category which includes a wide variety of types of workers, were also much more likely to be members of credit unions than the employers. In fact, Table 9.12 is similar to Table 9.4 but differs in that fewer employers were members of credit unions. This notwithstanding, membership of a credit union was popular among all classes of urban residents, irrespective of their employment status.

In addition, the research examined the relationships between membership of a credit union and sectors of employment. The resulting table (Table 9.13) shows that membership of a credit union was popular in both public and private sectors of employment; 61.7% and 76.3% of the public and private sector respondents were members respectively.

Table 9.13: Relationship between membership of a credit union and sector of employment (household survey).

	Membership: Yes	Membership: No	Row Total
Public Sector	156 174.1 61.7%	97 78.9 38.3%	253 51.2% 100.0%
Private Sector	184 165.9 76.3%	57 75.1 23.7%	241 48.8% 100.0%
Column Total	340 68.8%	154 31.2%	494 100.0%

Chi-square	Degrees of freedom
12.41	1

At 0.05%, the critical value of chi-square = 12.116

Credit union membership is probably less necessary or useful to public sector employees, who are likely to be favoured by the existing conventional finance institutions, than the employees in the private sector (the computed chi-square suggests that there is a statistically significant difference between the two groups at the 0.05% level.

In addition to investigating the spread of credit union membership, the research further sought to establish whether being a member restricted participants from saving in the bank. Accordingly, all respondents were asked whether they were saving in the bank or not (question 15, Appendix B). The results (Table 9.14) show that 60.4% of those who saved with the banks were also members of a credit union. Hence these institutions are certainly not mutually exclusive. It is worth noting that in this table only 29 (6% of the total of 494 respondents) used neither banks nor credit unions. These people may be keeping their savings at home or do not save at all. The fact that only 6% at most of the tenants interviewed were not involved in any savings scheme contradicts the picture that most people in developing countries are unable to save. Nevertheless, the proportion of bank savers who were members of a credit union was significantly lower than the proportion of those who did not save with a bank.

Table 9.14: Relationship between membership of credit unions and savings in the banks (households survey).

	Membership of credit union: yes	Membership of credit union: No	Row Total
Saving with bank yes	191	125	316
	217.5	98.5	64.0%
	60.4%	39.6%	100.0%
no	149	29	178
	122.5	55.5	36.0%
	83.7%	16.3%	100.0%
Column Total	340	154	494
	68.8%	31.2%	100.0%

Chi-square	Degrees of freedom
27.64920	1

<u>At 0.05%, the critical value of Chi-square</u> = 3.84

Results are significant at 0.001 level

The difference in the proportions, however, suggests that participation in a rotatory credit union may only hinder or restrict members from saving with the banks to a limited extent. It may therefore be argued that the substantial proportion of members of credit unions who save regularly with the banks suggests that the two types of institutions are perhaps offering complementary services to the participants and that credit unions fill an important gap in the provision of financial services to the participants.

Since isusu is the most popular type of rotatory credit union, the research tried to determine whether its members in particular are hindered from saving with the banks. The result of this crosstabulation (Table 9.15) shows that 44.9% of the tenants who saved in the banks were members of isusu, whereas 78.1% of those who did not save in the banks were in isusu. Also it shows that more than half (142) of the 281 isusu members (50.5%) saved with the banks.

Table 9.15: Relationship between isusu membership and saving in the bank (household survey).

	Isusu membership: Yes	Isusu membership: No	Row Total
Saving with banks yes	142 179.7 44.9%	174 136.3 55.1%	316 64.0% 100.0%
no	139 101.3 78.1%	39 76.7 21.9%	178 36.0% 100.0%
Column Total	281 56.9%	213 43.1%	494 100.0%

Chi-square	Degrees of freedom
49.68403	1

At 0.05%, the critical value of Chi-square = 12.116

Since the chi-square statistic is significant this does tend to support the conclusion that fewer bank savers were involved in isusu and that participation in isusu may have somehow restricted members from saving with the banks to a certain extent. Both tables (9.14 and 9.15) are consistent with a high overall proportion of respondents (68.8% and 56.9% respectively) being members. They only slightly differ in the proportion of members in both tables (56.2%

and 50.5% respectively, using column percentages) who saved with the banks, a difference which may be explained by the fact that credit unions are by definition wider than isusu. Isusu participants receive such services as short term credits that conventional institutions are reluctant to grant small savers, one reason why bank savers may also wish to participate in isusu.

The fact that 139 out of the 281 isusu members (49.5%) did not save with the banks may be partly attributed to isusu's attractiveness and ability to meet members' needs. This does not necessarily imply that isusu was a big distraction to saving in the banks since there were many isusu members who did save in the banks, but rather tends to suggest that it met the needs of a wider variety of households than the banks catered for. In this case, credit unions, including isusu, are within the reach of a wider variety of households that are yet to be served or that are neglected by conventional financial institutions. The fact that credit unions and isusu in particular were so widely accepted within the urban society confirms that urbanization and development have not rendered these practices obsolete, but have rather given them new roles. This further attests to their importance in meeting the financial needs of urban dwellers with regards to housing.

9.3.1. Explanations for Isusu's widespread use

Having examined the way in which isusu is used by owners and tenants, it is appropriate to comment more generally on these results. The most striking feature is how widely isusu is used for housing finance by all groups and classes of owners and by a range of tenants as well. Some of the general advantages of isusu which contribute to its popularity were discussed already in various parts of Section 5.2, but the evidence of the social surveys seem to suggest that, in practice, isusu also has a number of advantages as a method of housing finance which are worth drawing attention to at this point.

Firstly, Isusu practice guarantees that every member will be treated equally and will receive the lump sum that is proportional to their contributions or savings. Moreover, participation in isusu is not discriminatory as long as the participant makes a regular contribution to the fund. There are no restrictive loan requirements, such as the provision of sureties or collateral expected from participants, unlike with applications for bank loans. Isusu members are also virtually certain of having access to housing funds, in contrast to savers in the bank, who do not have easy access to housing loans in spite of their savings. The apparent guarantee of a 'loan' to every saver irrespective of income, social status, or sector of employment, obviously makes isusu attractive to all classes of urbanites. Moreover, participants have not only a convenient outlet for their savings but they also receive, at some point during the cycle, access to a large pool of savings which may provide enough resources to achieve important economies of scale in investments such as housing (Bouman, 1979). One of isusu's most important advantages is its flexibility in fitting in with the needs of self-builders, allowing them to adapt their contributions to what they can afford and its adaptability to this pattern of building in stages according to what they can afford. Since self build is the dominant means of acquisition this is particularly important in explaining its popularity. They may also widen and strengthen their circle of friends in the process, which can be a significant factor in a society where friendship ties are particularly important. Also in Section 5.2.3, it was observed that social and peer group pressures by the participants in isusu helps to enforce financial self-help discipline and organisation needed for savings.

9.4. Use of social clubs

In Section 5.2.4 we noted that 'social clubs', which are voluntary social and economic organizations, exist in most urban centres in Igboland. These can be regarded to some extent as an urbanized form of the Igbo age-grade system that encourages self-help among their members through the granting of trade credit. It was therefore felt appropriate to determine what proportion of the respondents in Enugu were members of social clubs and how many utilized the credit facility in funding their house construction.

In the survey of owners, though 73.0% were members of social clubs only 13.2% utilized this credit facility for housing purposes in Enugu (questions 10 and 11 Appendix "A"). These were probably people who were given building materials instead of cash. In addition to these credit facilities, 16.8% of the owners applied for and obtained financial aid from their respective social clubs while building their houses. Also 22.3% of the respondents in the survey of tenants used such credit facilities to aid the finance and or construction of their houses outside Enugu (question 26, Section C Appendix "B"). In most cases, these transactions have the advantage of involving little paperwork, provided borrowers have their membership cards and their names are in the national directory.

There is, generally, a low usage of social clubs for housing finance perhaps partly because social clubs are of recent origin, as we noted in Chapter 5. Thus most of the members may have bought or built their houses before becoming members. Social clubs also discourage giving direct housing loans to members because they do not have the manpower or expertise required for the efficient management of mortgage finances. Social club members, however, enjoy other benefits which are not related to housing.

The fact that social clubs can help at all with house financing through credit, with other related social benefits, has probably contributed to the formation and growth of more social clubs (Figure 5.1). The increase in the number of social clubs seems to be a further indication of how far the urban population has come to rely on unconventional institutions to satisfy its various needs in a rapidly urbanizing environment, both in Enugu and in the country as a whole.

In order to determine whether there was a relationship between social club membership and use of conventional savings institutions, all the tenants were asked to indicate whether they saved with the banks or not. Table 9.16 below shows that 23.1% of bank savers were members of social clubs, whereas of those who did not save with banks 20.8% were members, which suggests that there was little relationship between social club membership and saving with a bank, further confirmed by the low value of the chi-square result. Thus, it appears that social clubs neither helped nor significantly hindered members from saving with the banks. Like isusu, social clubs provide their members with services such as credits that are not easy to come by in the banks; this may help to explain why bank savers were just as likely (in fact slightly more likely) to be social club members as people who are not bank savers.

Table 9.16: Relationship between social club membership and saving in the banks (household survey).

	Social club membership: Yes	Social club membership: No	Row Total
Saving with banks yes	73	243	316
	70.4	245.6	64.0%
	23.1%	76.9%	100.0%
no	37	141	178
	39.6	138.4	36.0%
	20.8%	74.2%	100.0%
Column Total	110	384	494
	22.3%	77.7%	100.0%

Chi-square	Degrees of freedom
0.35247	1

At 0.05%, the critical value of Chi-square = 12.116

As noted in Chapter 5, organisations such as social clubs provide services that the established financial institutions are reluctant to give, especially to small savers. In so doing, they fill an important gap in financial services for urban residents. It is worth noting that there is probably a great diversity in the membership of social clubs. During the early stages of most of the clubs, ability to pay the relatively modest membership fees seems to have been the main determining factor for membership and not income. Later, as the clubs grew and more people desired to become members, higher membership fees were introduced which seem to have restricted admission to the clubs to only those people who could afford the increased membership fee.

Social clubs also offer a combination of traditional and modern services to their members. For example, while the banks demand a surety and/ or collateral, the "membership" in a social club guarantees a member instant access to credit facilities. Furthermore, while bank transactions require a lot of paper work, social club trade credits are in some cases instantaneous as soon as members show cards as evidence of membership. It may also be worth noting in this context that social clubs now have the reputation of being somewhat exclusive socially. In this regard, 'exclusiveness' does not imply snobbishness but that being a member of a social club gives people a feeling of having special bond with other members.

9.5. Combining methods of finance

Since an analysis of some of the combinations of finance used by owners in previous results indicated that many landlords did combine conventional and unconventional methods of finance, it is essential to attempt some analysis of the way methods are combined in a more general way. First, combinations of the main conventional and unconventional methods will be considered before looking more broadly at all combinations. Accordingly, a cross-tabulation of the use of isusu and bank loans shows that many owners combined these two methods of finance to acquire their houses (Table 9.17). Fifty-six per cent (56.2%) of the owners who got loans from the banks were also using isusu as well. It might be queried whether the owners who combined both used isusu for things other than housing but as noted earlier, the wording of the question concerned should have precluded this possibility since it specifically asked about the use of isusu for funding housing (Appendix "A", question 2). This combination confirms that isusu co-exists with conventional sources of funds and that a number of owners may use both as if they are complementary.

Table 9.17: Combination of bank loans and isusu (landlords survey).

Combination of finance

	Isusu Yes	Row No	Total
Bank loan Yes	86 122.5 56.2%	67 30.5 43.8%	153 32.1% 100.0%
No	296 259.5 91.4%	28 64.5 8.6%	324 67.9% 100.0%
COLUMN TOTAL	382 80.1%	95 19.9%	477 100.0%

Chi-square	Degrees of freedom
78.31038	1

At 0.05%, the critical value of chi-square = 12.116

The vast majority of people (91.4%) who did not use bank loans used isusu. There are also 28 people (8.6%) who did not use either bank loans or isusu. These people are likely to be those owners who inherited their houses, used personal savings, 'any other means' or some combination of these methods. Thus, although many people used both methods, owners not using bank loans were much more likely to use isusu (91.4%) than owners who did have bank loans (56.2%).

To examine more broadly all the combinations of finance used, a matrix was compiled showing how frequently particular combinations of finance were used, taking two at a time. For each row the percentages shown are percentages of the total number of owners who used that particular method. Thus, of the 153 owners who had bank loans, 86 (56.2%) combined these with isusu, 37 (24.3%) combined them with social clubs, 25 (16.4%) with money inherited and 97 (63.4%) with any other means. Similarly, for the 382 owners that used isusu, 86 (22.5%) combined it with bank loans, 44 (11.4%) with social clubs, 99 (25.9%) with money inherited, and 210 (55.0%) with any other means. The diagonals in this table are 'special' cells showing how many are using the method concerned on its own, 'uncombined' with the other four methods listed here. It should be recalled that each of these combinations and the diagonal cells nearly always involved the use of personal savings (475 out of 477 or 99.6%).

Table 9.18: **How often methods of finance are combined, taking two at a time (landlords survey).**

	Bank loans	Isusu	Social club	Money inherited	Any other means	Total
Bank loan	5 3.3%	86 56.2%	37 24.3%	25 16.4%	97 63.4%	153
Isusu	86 22.5%	83 21.7%	44 11.4%	99 25.9%	210 55.0%	382
Social club	37 58.7%	44 69.8%	0	6 9.5%	25 39.7%	63
Money inherited	25 21.2%	99 83.9%	6 5.1%	0	76 64.4%	118
Any other means	97 37.0%	210 80.2%	25 9.5%	76 29.0%	1 0.4%	262
No of owners using this method	153 32.1%	382 80.1%	63 13.2%	118 24.7%	262 54.9%	

Perhaps the most striking feature of this table is that each method is combined with every other method to some degree and none of the off-diagonal cells is therefore zero; at least 9% of the users of each method used every other method. The table further shows that when compared with the equivalent figures for the survey as a whole (given as the final row of the table) the most noticeable characteristic of bank loan users was that they used isusu less than was generally the case for owners (56.2% compared to 80.2%). Conversely, the only notable difference between isusu users and owners as a whole is that they used bank loans less (22.5% as compared to 32.1%). In contrast, social club users used bank loans more and isusu less, whereas the profiles of those who used money inherited and 'any other means' are both fairly similar to the survey as a whole.

Thus these results suggest that people diversified their choices of combinations of finance according to what suited them. This is consistent with Turner's (1976) view that people are better off when they can make their own decisions about how to use the resources available and can, accordingly, exert some control over the organisation of finance to suit their own needs. This flexibility and diversity could be lost if outside bureaucratic control determined or constrained their choices.

It is also significant that isusu and bank loans were the two methods used most 'on their own' and that for isusu in particular there were 83 respondents who used it to fund their housing 'uncombined' with the other four methods, a further indication of isusu's importance. No respondents used social club funds and money inherited 'on their own'. The diversity of combinations complicates further analysis because at least 10 different combinations are represented to some degree and it is not possible here to analyse all or see whether each is associated significantly with particular social or housing variables. However, it strengthens the idea that different unconventional methods are complementary to each other and to conventional methods.

A further perspective on how methods of finance are related to each other is provided by Table 9.19 which provides two measures of correlation, Pearson's r and Goodman and Kruskal's gamma which gives some indication of the extent to which the use of a particular method, treated as a nominal or binary variable, is associated with the use or non-use of another method, also treated in binary terms. Both r and gamma range from -1 (perfect negative correlation) to +1 (perfect positive correlation) with a value of zero indicating independence. While the two measures are designed to provide somewhat different perspectives on correlation and the values for gamma are always larger in absolute terms, the two measures give consistent pictures of the relationship for the most part. For instance, they are always positive or negative together. This is worth emphasizing, since Pearson's **r** is not really designed for binary variables and it can be debated whether it is appropriate to use it here in other than crudely descriptive terms. Gamma, however is designed for such data.

Table 9.19: Measures of correlation between methods of finance (landlords survey).

		Bank loans	Isusu	Social club	Money inherited
Bank loan					
Isusu	r	-.411			
	gamma	-.783			
Social club	r	.222	-.100		
	gamma	.570	-.315		
Money inherited	r	-.133	.055	-.138	
	gamma	-.347	.166	-.558	
Any other means	r	.117	.002	-.119	.109
	gamma	.251	.005	-.341	.225

There is a weak positive relationship between the use of social club funds and the use of bank loans. This may be due to the fact that owners who used social club funds tended to be in the higher income group and were therefore qualified to meet bank requirements for loans and were also seen as being less risky. The negative correlation (r = -.411) between the use of isusu and bank loans suggests that owners using isusu tended to be somewhat less likely to use bank loans, which accords with the preceding results.

Apart from these correlations, all the other r values are less than .15 in absolute terms and all the other gamma values are less than .35 in absolute magnitude with the exception of that for social clubs and money inherited (gamma = -.588). Essentially this means that it is not really possible, knowing that an owner was using 'any other means' or money inherited, to predict whether these methods would be combined with any other particular method with better than a random chance of success. The same appears to be true to a fair extent of the use of isusu and social clubs. Thus, for the most part, this table mainly reinforces the picture of owners combining methods in a diverse and almost statistically random manner and helps to confirm how flexible these methods are. This flexibility is further explored in the case studies of four small saver groups discussed in the following section.

9.6. Four small saver groups

In addition to the social surveys, four isusu groups were identified in the field, denoted as "A", "B", "C" and "D" and their activities were examined in greater depth in order to evaluate their aims, composition, organization and purposes of saving. It was felt to be necessary to get some insight into how isusu works in terms of practical social organisation. The data was collected by interviewing the officials of Groups "A", "B" and "C". It was not possible to sit in on the full meetings of these three groups as an observer because their activities were largely co-ordinated by their officials. It was nevertheless, possible to sit in and observe Group "D" at meetings because this group usually held formal meetings, as explained below. For group "D", data was thus obtained through a method which can be regarded as akin to participatory observation and was therefore quite detailed since it involved a closer association with the leaders, officials and other participants at meeting times. Figure 9.1 below shows the general outline of the four groups studied. The four isusu or small-saver groups in Enugu provide finance for rental housing or for owner occupation through self-build. They represent typical groups or organisations that have emerged in the city, to meet the specific needs of the participants, such as the provision of a lump sum for short-term credit, finance for rental housing, purchase of urban land for owner-occupation and the bulk purchase of building materials. Moreover, they are examples of unconventional schemes for savings mobilization and can be used to consider how these can be linked to the formal banking sector.

Figure 9.1: Typical examples of small saver schemes in Enugu.

	GROUP A	GROUP B	GROUP C	GROUP D
SPECIFIC AIMS	Saving for the purchase of building materials	saving for construction of an urban house	saving to provide a large sum as credit	Saving to provide credit in the form of short term loans
COMPOSITION	15 members, same peer/ ethnic origin all self employed	6 professional colleagues, same ethnic origin	30 workers no ethnic affiliation same government department	20 members same occupation No ethnic affiliation
ORGANISATION	A committee of three, leader, secretary, Treasurer	A committee of two	Group leader and two sub leaders	A committee of four
AMOUNT	Fixed amount of ₦ 250.00 per month.	Fixed amount of ₦ 200.00 variable at times	No fixed amount varies between ₦ 20-100	Variable with a fixed minimum of ₦ 20.00
GENERAL PURPOSE	Finance for owner occupation through self-build	finance for owner occupation through self-build	Finance for renting a house	Finance for renting a house or self-build
TYPE OF CREDIT SYSTEM	Isusu but non-rotatory	non-rotatory	rotatory	Isusu but non-rotatory

Source: Fieldwork, 1987

Group A

The group is made up of 15 members of the same ethnic origin who had known each other since they came from the same local government area and were members of the same town union. This group is probably a sub-division of the town union, although not directly identified with their town union during the survey. They are all self-employed in various trades, but with a common purpose of making regular savings into a fund which they will use to purchase building materials in bulk.

The group contributes a fixed sum of two hundred and fifty naira per person every month and is headed by a leader, a secretary, and a treasurer. All monies collected by the group are deposited in the group's account in a savings bank by the treasurer. To make withdrawals, the signatories are the leader, the secretary, and another member who does not hold office. The treasurer is not a signatory, although he or she keeps the group's bank particulars. This arrangement ensures that the signatories cannot withdraw any money without the group's approval.

When enough money has been saved by the group, the secretary writes to a wholesale company requesting the purchase of a specific building material for self-building. The material, when purchased, is shared equally among the participants. Of course, members needs are not the same; those whose needs are more than their share may have to buy from either another member with less need or on the open market. Members are not obliged to build their house in Enugu because some of them have plots outside the town. The group dissolves after the purchase of essential building materials to enable individuals to carry on with the construction of their houses. By the simple definition of a rotatory credit union given above, this group may not qualify as one per se because the lump sum saved is not given to members in rotation, but it is locally known as one though not rotatory in distribution. In addition, it is regarded as a rotatory credit union by this research because it utilizes such basic principles as periodic contributions in order to achieve its specific objectives. Moreover, the common fund could be drawn upon by members, as they can apply for an interest free loan before the group purchases the building material through the secretary of the group if needed. Besides, it is certainly not a conventional institution either in practice or in principle.

Group B

The second group is made up of six professional colleagues (all civil servants) of the same ethnic origin, who make regular savings to a common fund which the group hopes to use in building an urban house through self-build. The group is headed by a committee of two and aims to contribute a fixed sum of two-hundred naira every other month. At times the amount of contribution is varied to accommodate members' needs. For instance, the survey revealed that in some instances, the group had contributed less than the fixed amount in order to accommodate its members who had other pressing needs.

All monies collected are deposited in a joint account maintained by the group in a savings bank. As in group "A", the three signatories to the groups' account are the leader, the secretary, and one other member. The treasurer who keeps the groups' banking particulars is not a signatory to the account. At the time of the research, the group had already acquired a double plot of urban land from their common fund for self-build and had continued to save towards further development such as buying of building materials. Although the research showed that the group aims at constructing an urban house for owner occupation, it also revealed that they have plans to let part of the house out for rent when completed. It is thus hoped that the house when completed will yield some form of income for the group. Groups of this nature do not dissolve easily as the house will continue to remain a joint property of the participants. This groups illustrates very well that urban houses in Enugu and indeed Eastern Nigeria is being built with both use-value and exchange value very much in mind. Figure 9.2 gives an example of a house identified during the investigation that was built through this method by another group.

Figure 9.2: A House jointly financed through isusu contribution.

Source : Fieldwork, 1987.

Like the first group discussed above, this group does not fit neatly or exactly into the general definition of rotatory credit unions, but since they utilize the basic principle of periodic contribution and loans discussed in Section 5.2 above, they are regarded here essentially as a rotatory credit union that has been modified for specific purposes linked in both cases to self-build. Moreover, unlike traditional rotatory credit unions sensu stricto, where the aim is to provide members with a lump sum of money, these two groups combine savings with meeting members specific needs which is the real basis of affiliation.

Group C

The third group is made up of 30 workers in the same government department, without any ethnic affiliation. The group is led by a senior officer in the department and two sub-leaders. The aim of the group is to save in order to provide a large sum of money to members as credit. Within this group, there is no fixed sum, but contributions must be in multiples of twenty naira, while the maximum is one hundred naira. Collection days are the end of the month after salaries have been paid. This contrasts with the traditional or rural pattern in which the market day (of which typically there are 4 per month) is used for the collection and disbursement of isusu funds. When the leader was asked why the group adopted the end of the month as the time when collections/contributions should be made, he revealed that this was to minimize cases of default.

This group was formed primarily to provide members with credit to pay for rent advances often demanded by landlords especially after the rent decree in Enugu. All monies collected are given to two "members" in rotation. This is in order to shorten the period of rotation. Since contributions are not equal, the maximum number of people in a "membership" is five. Hence five people make up or constitute a "membership" and when it is their turn to receive, they will share the lump sum according to their individual contributions. The leader however, determines the recipient by the order in which they indicated their interest at the beginning. There is flexibility in that members who have pressing needs may be given concessions to receive the fund by the leader or through a private arrangement with the actual person due to receive. This group through its practices closely fits the definition of traditional rotatory credit unions. The amounts saved and or contributed by each "membership" are smaller compared to groups "A " and "B", and it is interesting to note that this group does not maintain a group joint account in a commercial bank because the money collected is given out almost immediately.

Group D

The fourth group is made up of twenty members who are all artisans such as tailors, vulcanisers, spray painters and motor mechanics. They have an organizing committee of four that coordinates their activities. Participants have no ethnic affiliation but come together for social and economic reasons for their mutual benefit. The meetings are held on the third

Sunday of every month in a public school hall, during which members pay their subscriptions. The minimum amount or share per person is twenty naira. Any member wishing to have more than one share is free to do so, provided it is in multiples of twenty naira.

The groups savings are not given out, but saved in a joint savings account which is shared once in a calendar year. Members can use their share in meeting their different needs such as investing in self-building. In this case, the group utilizes the traditional principles of isusu contribution, as well as linking to a conventional modern institution. However, an imprest of one hundred naira is kept by the treasurer for the purpose of short-term loans to members for a fixed period not exceeding sixty days, interest free. This loan may be used by the borrowers to pay their rent advances or meet their other pressing needs. When members default by not repaying their loans after the sixty days, they are fined five naira each. If, however, they do not repay the loans and the fines before the period of participation runs out, the loan plus the fine is deducted from their savings for the period. Furthermore, they are automatically excluded from further participation with the group.

Unlike the other three groups discussed above, it was possible to attend this group's meeting and to interview all the participants in person. Members of this group were asked why they preferred isusu, to conventional banking. The result showed that 80% of the participants prefer isusu because its principles are simple to understand. In a reply to a question on why they don't use the banks in spite of the interest their savings are likely to yield, 65% of the participants still preferred isusu because they save time and the embarrassment of filling forms in the banks to deposit or make with-drawals. As Elegalam (1978) noted, there is a low quality of service to small savers in Nigerian banks. Simple transactions like deposits and with-drawals take more than an hour to complete due to inadequate quality and quantity of bank staff. Asked if their savings are secure with isusu, 80% replied that they had the confidence that their friends will not dupe them. As to the main advantage of isusu, 90% of the participants were of the view that it widened their social circle and had helped them make new friends apart from saving money. Furthermore the ease of access to loans without much difficulty is considered a major attraction. Although these replies come from a small 'sample', they support most of the arguments discussed in Chapter 6 regarding the advantages of isusu.

It is worth noting that the variety of arrangements illustrated in these case studies shows the extra-ordinary flexibility and adaptability of isusu which allows it to be used in tandem with other sources of funds to meet the various needs of the participants. Hence its use for rent, self-build and even for purchase, also shows the strength of isusu and further helps to explain its popularity.

These case studies represent some of the varieties of rotatory credit unions that are in existence in Enugu and show that two of the four groups surveyed provide finance for owner occupation through self-build, while the other two provide finance mainly for rental housing. In addition, they reveal some of the influence of 'modernization' or the new economic influences that urbanisation has brought to bear on cultural practices through the use they make of the banks. Hence they differ in some aspects from the typical traditional rotatory credit associations defined above. They also help to indicate how inaccessibility to and/ or inadequacies of the existing conventional financial institutions have led to improvisation, particularly by non-wealthy households.

This study of four groups tends to suggest that groups whose aim is owner occupation are smaller in size in terms of membership and receive higher contributions or savings from their members. Conversely, the two groups that aimed at providing the participants with credit and finance for rental housing were larger in size, and they received a lower contribution or savings from each person. Apart from group "C", where the money is given out in rotation, the others have shown that small saver schemes not only coexist with, but are also linked to conventional housing finance institutions such as savings banks. It also suggests that ethnic or community based small saver schemes, if allowed to exist in their traditional milieux, have great potential to be useful components of a national housing finance system as they provide funds for both rental housing and owner-occupation. In addition, they could provide the backbone for a national savings mobilization scheme within a national housing finance system with proper planning.

The widespread existence of these rotatory credit unions is a clear manifestation of the important part they play in making funds available for local needs like housing construction as shown by the survey in Enugu. Moreover, the fact that urbanisation and industrialization have not rendered such practices obsolete is evidence of their durability and adaptability. In fact, the extent to which they are widely practised in the urban centres suggests that they have successfully kept in step with the continually changing structure of the social environment (U.N. 1978). Also, their great flexibility and the modernization of their practice (for example, days of contribution adopted to pay days) have helped ensure their acceptance and usefulness in the face of competition from savings banks. The four groups studied here illustrates some of the potential of isusu. Groups "A" and "B" show that isusu can be applied to particular tasks such as in urban plot acquisition and the acquisition of building materials. When one stage is finished, the participants may well form another isusu group for the next stage. These groups seem to contrast with self-help groups discussed in the Turner/Burgess debate which appear to be more ad hoc in character and thus tends to dissolve when their immediate task is finished.

9.7. Daily small saver schemes

The existence of daily small saver schemes was not known before the start of the field work. Thus, apart from the above groups, the author found in the field many small saver schemes in which private money collectors, who are registered with the State Ministry of Finance as "businessmen", canvass mainly among self-employed artisans to collect daily savings from them for safe keeping till the end of the month. Savers in this scheme make daily savings into a fund which they receive as a lump sum at the end of the month. The collector takes up an agreed sum of money daily from a saver and at the end of the month pays the month's total savings to the saver minus one day's savings. The day's savings which are not paid back are regarded as the collector's wage or commission. The collector or his or her assistants go round the business premises of savers to take up their daily savings. The amount saved by each participant varies from person to person and any saver who has nothing to save in any particular day or days, is not penalised. However, no matter the number of days any saver has saved in a month, collectors retain a day's savings as their commission. On the other hand, savers can stop at any time if they do not wish to continue with the scheme or have nothing to save. Withdrawals from the scheme within the month are allowed provided the collector is given a day's notice to arrange for repayments.

Such striking flexibility in the operations of the scheme has allowed many semi-skilled and unskilled workers and non-wealthy households to participate willingly. On the other hand, it may be a disadvantage to the scheme since withdrawals are at the discretion of the saver. Besides, frequent withdrawals may not allow the scheme to develop into a successful business because as a small saver scheme, it will require a large number of participants to be viable. As such, the collector cannot invest the savings into any long-term project. However, it does show that small savers are willing and able to save, provided a convenient method of savings mobilization is available. Moreover, the fact that the collector comes to the saver, thereby saving them time and trouble, is an incentive to save.

During the fieldwork, five collectors were identified and interviewed. It was not possible to identify "collectors" from the general register of businessmen available in the Ministry of Finance before starting the field work. Since they did not register their enterprises as "collectors", there was no official record showing how they could be identified. The survey suggests that the minimum number of savers per collector was 300. All the collectors have assistants who help them with the daily collections. Three of the five collectors interviewed deposit their daily collections in a savings bank, while the other two indicated that they deposited only a part of the savings and invest a part in un-disclosed projects.

The success of the scheme lies in collectors being honest with the first set of savers to register with them, and in the hard work undertaken by collectors and assistants in canvassing among potential savers. Honesty, trust and hard work are therefore instrumental in the growth of the scheme. Eighty percent of the collectors have branch offices in other towns in Anambra state like Awka, Abakaliki, Onitsha, and Nnewi. Thus this type of scheme is much more widespread and better established than the author realized before starting fieldwork.

Following the collectors' survey, 50 savers were interviewed for more information concerning the scheme (See Appendix C). When the respondents were asked to give only one reason for joining the scheme, 20% said they joined because it helps them to check unnecessary spending, 30% said it offers them access to a lump sum without much "hassle" or the difficulty often associated with savings or with-drawals from savings banks in Nigeria, while 40% and 10% respectively joined because it saves them time at the bank and the embarrassment of filling forms or using thumb prints each time they deposit or withdraw money from the banks. When they were asked how much each participant saves, the replies varied from as small as one naira to over ten naira per day.

They were also asked what they do with the lump sum. The replies show that they could do several things with their savings. For example, 60% of the savers pay their monthly house rent from the lump sum, 25% invest it in an on-going self-build housing project outside Enugu, while 15% invest their savings in buying food for their families or buying extra tools. Thus it is clear that this scheme is mainly geared to helping users pay for their housing in one form or the other, a further indication of how serious and widespread the problem of financing housing is in Enugu. However, within this group, no respondent was self-building in Enugu and none reported using the fund for purchase.

In an answer to another question on whether they would be willing to save in the banks if they were less crowded, 55% indicated they would, 35% said they would not and 10% were not sure what they would do. Asked if they had an account in any savings bank, 45% said they had, while 55% said they had not. Although they were not asked if they participate in isusu it seems that the daily saver scheme, like isusu discussed above, does not necessarily deflect participants from saving in the bank. One of the main reasons that so many participants are still interested in saving with the banks is that both saving systems offer useful but different services. All the participants had been saving with the scheme for between one and eight years.

The success of the daily savers scheme lay in the system's ability to meet the saver's need in terms of collection and the simplicity in its operations. It is flexible in its principles, savers can save at their own rate and are encouraged to do so when collectors come to them. However, the participants lose the interest that should have accrued to them if they had saved in a savings bank. They also lose a day's savings which collectors retain as their commission. On the other hand it shows that savers in this scheme are willing to sacrifice to save as the loss of a day's savings shows. It must be noted that the fact that participants in the scheme are able to save small sums of money each day without wasting time and the ease of access to the lump sum is enough encouragement for them to join the scheme. Moreover, the fact that the scheme helps them to check their spending pattern and to have enough money to pay their rents at the end of the month is a strong incentive to save.

Although during the interview, there were no reported cases of default by any collectors, the legal security of the savings is yet to be tested, especially as there is no legal backing to the scheme or law protecting the saver from any form of abuse. What is certain, however, is that small saver schemes of this nature have helped participants pay their monthly rents or invest in on-going owner-occupier housing projects outside Enugu. The lack of security of savings notwithstanding, the scheme could be strengthened by giving legal backing to protect savers from any loss which may arise. Such a backing could take the form of laws or legislation requiring all collectors to register with the appropriate government ministry. It may be argued that this step could make the scheme less attractive since it carries the danger of allowing various kinds of bureaucratic interference with the scheme. On the contrary, it could attract more savers who might be encouraged to join since, as well as the trust and goodwill of the collectors their savings would be protected by the law. It could also involve the setting up basic criteria for collectors to meet and/or the depositing of specific amounts of money which could be used to repay savers in cases of fraud. Furthermore minimum savings requirements could be set up to protect collectors from losses that could result from sudden and frequent withdrawals by savers.

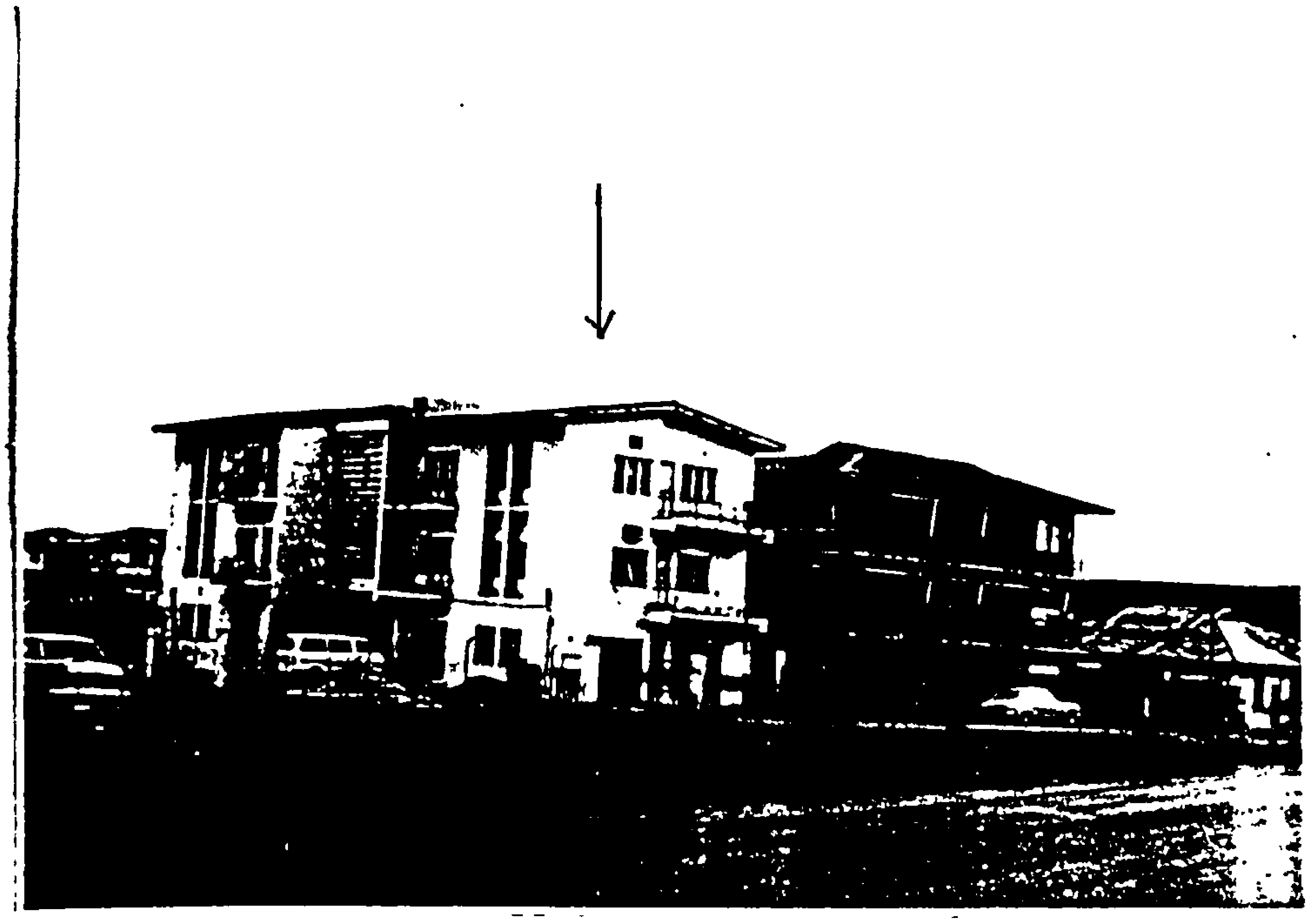
At present, success depends on the mutual trust between the collector and the participants. Collectors advertise their business by being honest with their first set of clients, who then spread the word thus attracting more savers to them. The survey of participants also showed that this form of savings is not popular with civil servants but is common among artisans and traders. Its success and popularity are evidence of the propensity to save among the low income group and therefore refute the notion that low income households do not have savings. Moreover, that it is sometimes preferred to the conventional saving institutions demonstrates the need to formulate a simple and easy savings mobilization device that will take care of small savers and their special needs and that the rate of interest is often not an important influence on how and where people save, especially lower income groups. It shows clearly that if a mobile banking service is started, many small savers may participate. This could be done by using the collectors as agents and could probably help the conventional financial institutions reduce high transaction costs in dealing with small savers (Cuevas, 1984) and further safeguard the savings. Moreover, it would still allow the scheme to retain its traditional outlook, while the collectors would have a better defined job description. Although the daily saving scheme is popular among artisans and traders, the landlords and owner-occupiers in Enugu have devised a rather different system of joint financing which is currently in vogue in the town to build or rebuild their houses.

9.8. Joint financing

Like the daily small saver schemes discussed above, the existence of joint financing was not known before the field work, hence it was not included in the social surveys. It is therefore probably included within the any other means category in the response of owners. Joint finance is a system through which a landlord or the owner of an urban plot of land enters into an agreement with a private financier, to develop or re-develop his or her property. This is very common among people with undeveloped plots of land, landlords whose houses were destroyed during the civil war, or those with derelict buildings. Others who embark on this type of financial arrangement are landlords whose houses are strategically located in the central business district of the town and who do not have the funds or access to funds from conventional financial institutions to re-develop such buildings. The private financier provides an agreed sum or a certain percentage of the cost of the proposed building and the landlord provides part of the money and the land for development. Such landlords enter into agreement with the financiers so that after development or redevelopment, the financier collects rent on or uses part of the property for a stipulated number of years, before giving up his claim.

This enables the landlords to develop or re-develop their plot as soon as they obtain the necessary building permits. The landlord who provides the land is legally the owner of the property. This type of financial arrangement has been used in the traditional parts of Enugu like Onuasata, and Ogui and in the older part of the town where most of the houses are tenement rooming houses. There are no separate statistics available to show the number of houses built or reconstructed through this method, but they may have been included under any other means. Figure 9.3 is an example of a house financed through this method, which was identified during the field survey.

Figure 9.3: A House built through joint financing.



Source: Fieldwork, 1987.

In addition to being a source of funds for housing, joint financing has a direct consequence on the housing supply in Enugu as discussed in Chapter 7. Landlords who previously owned tenement rooming houses that accommodated many low income households have used this financial arrangement to reconstruct their houses from tenement rooming houses into tenement blocks of flats, thereby reducing the number of single-room houses available. As noted earlier, the shortage of single-room apartments has led to the increased demand for the available ones and is probably a factor in the subsequent rent increases in Enugu. Joint financing has, however, firmly established itself as a popular source of housing finance in Enugu and some other towns in Nigeria.

9.9. The criteria for analysing housing finance systems

One widely held view is that an economy comprises of a separate sphere of instrumental or practical action and that economic analysis requires a unique set of conceptual tools which when suitably modified can be used to analyse patterns of livelihood everywhere (Halparin, 1986). But Gudeman (1986) argues that economies and economic theories are social constructions and that the central processes of making a livelihood are culturally modeled. In discussing the criteria for analysing housing finance systems, for example, it may seem convenient to put forward a set of models or criteria which may be used in analysing both conventional and unconventional finance systems. This may not serve a very useful purpose because the development of different housing finance systems depends very much on the general socio-economic development in the society. For example, to be able to understand the economic principles of isusu, it is important first of all to understand the cultural economics of the Igbo society, which is heavily dependent on group cooperation, trust and the desire to succeed. These may well differ greatly from Western economic models.

The criteria which are used in analysing unconventional institutions in this study are not based so much on the security of savings, but on the trust the participants have in one another. Underlying this is the social and peer group pressure by the participants in isusu which helps to enforce the financial self-discipline which encourages them to save. The popularity of a method is further dependent on the availability of participants and where they live and work. Isusu groups, for example, are found anywhere and everywhere the participants live and are willing to cooperate. In almost all cases, participants know one another and mutual trust is the key to the success of all unconventional methods.

Unconventional institutions do not offer their members any interest on their savings. Hence, the term 'interest rate' used in Western economic models is not used in isusu. As a result, the Western concept of paying interest on money lent or borrowed is strange to isusu practice. Isusu groups do not have specifically designed offices, or business premises and therefore incur little or no administrative costs, unlike conventional institutions. Their officials or 'workers' are rarely paid for their services which are voluntary. They serve all savers equally and all participants, rich or poor, have equal access to funds proportional to their savings. Although such services are not measured in monetary terms, they are essential in meeting the basic human needs of the poorest citizens (Ekins, 1986).

Participants in the daily small savers scheme are, for example, content to join the scheme and are encouraged to save because collectors come to them to take up their savings. This saves them the time of going to the banks and the embarrassment of filling forms. By Western economic concepts, this may be regarded as labour intensive as regards collection of savings and therefore an unsatisfactory method of savings. But if the end purpose of economic activity is to increase human welfare then unconventional methods of housing finance may well be satisfactory to the society that uses them. Care must therefore be taken in using Western economic models in measuring the success of unconventional institutions because, as Ekins (1986) argues, the process of applying inappropriate Western values in developing countries has wiped out traditional economic activities and at times disrupted the economies of a whole region. The ease of access to loans by all savers irrespective of class, income, type and sector of employment makes unconventional finance institutions attractive to all participants, unlike the conventional institutions that take these factors into consideration while deciding who gets a housing loan or who does not. This is one of their strong points which should not be ignored while measuring their usefulness.

The above criteria differ very much from those of conventional institutions discussed in Sections 2.3 and 2.4, which include factors such as the security of savings, interest bearing deposits, convenient locations and the quality of services being offered. Thus in United Kingdom, for example, individuals wishing to become owner occupiers may evaluate building societies and other institutions on such criteria as the rate of interest charged on mortgages (or paid to them on savings if they save towards house purchase), what percentage of purchase price they will be given as a loan, the tax implications of a particular financial arrangement and the requirements they may need to meet to get a loan in terms of collateral. They may also consider ease of access to savings deposited and how the institution is likely to behave should they be unable to meet repayments during a period of reduced income or unemployment. Similarly, a researcher might also evaluate rival building societies according to such factors as the quality of service provided to depositors and borrowers, interest charged on loans, security of funds deposited, the long term stability of the institution and how efficiently they are run for example in terms of costs of administration. Potential borrowers and savers may be interested in such factors as well, though they may tend to readily assume that all reputable building societies in the United Kingdom are quite sound as regards security and stability.

Unlike United Kingdom, a wide range of conventional institutions competing with each other to provide housing finance and related savings schemes does not yet exist in Nigeria. The results of the social surveys suggest the main criteria which borrowers are likely to consider in deciding which banks to approach are their requirements for granting loans in terms of security and surety. Rate of interest may not be so important as in the United Kingdom, though the size of the loan likely to be granted may be a significant consideration. Convenience of using the bank and ease of access to savings deposited are much more important considerations in Eastern Nigeria in particular because bank transactions are usually very time consuming and savers are not automatically granted loans as noted earlier. The main result is to encourage savers to use unconventional methods which are less time consuming to the users such as daily small savers schemes, isusu or social club credits. Thus, even conventional institutions have to be evaluated on somewhat different basis in the Nigerian context from how this might be done in the United Kingdom.

One of the main results of the research is to show that unconventional institutions have to be understood, assessed and appreciated according to completely different criteria from the conventional institutions of both Nigeria and United Kingdom. In several key respects unconventional institutions are quite well adapted to particular needs of prospective house owners in a Nigerian context. Firstly, the flexibility of isusu and daily small savers schemes allows self-builders to save according to what they can afford at a particular stage and hence build in instalments without incurring the risk of debt, high interest charges and possibly re-possession. In a somewhat uncertain economic environment like Nigeria this has many advantages. Secondly, isusu users have a sense of participation in the organisation of their own finance and enjoy at least some limited degree of control over it; for example, in the number of shares they take and in being able to ask to have their turn for the lump sum sooner or later. They may also widen their circle of friends with possible social and even economic advantages. Participants know one another and mutual trust is the key to their success.

Even if Nigerian banks and, should they develop, building societies, were as efficient and convenient to use and as ready to grant adequate mortgages as United Kingdom building societies and if they provided a much higher quality of service to users than at present, they could not offer Nigerians the advantages just discussed because banks are inherently unsuited to providing the flexibility and user control this would entail; and they have to charge interest. In this sense, isusu is much more attuned to the cultural traditions of mutual self-help, co-operation and self-organisation of Igbo society and has to be understood largely on that basis. This point accords well with Gudenam's (1986) argument that economic systems and institutions should be viewed as growing out of a cultural environment rather than vice-versa.

However, given Nigerian banks as they operate at present, unconventional institutions, particularly isusu and daily small saver schemes also have the advantage of guaranteeing that participants will get a 'loan' without having to meet particular requirements or provide further security and surety or go through time consuming queues and transactions. This may also give participants the prospects of access to a short term loan, if needed, before the isusu rotation is complete as in the case of Group "A" and may be much easier to use by the non-literate. In the case of daily small savers schemes, they have the disadvantage of not providing interest on savings deposited, probably as a result of the fact that, though daily small saver schemes save users time, they are labour intensive in that the collectors have to devote much time and effort to collecting many small sums of money each day and are less efficient as regards running costs than conventional banks organized on Western lines.

Thus, any theory on housing finance concerned with Nigeria must take account of the fact that users have different needs, traditions and expectations from those of Western countries. Furthermore, plans for providing Nigeria with a better system of housing finance must also take account of the criteria just discussed which are essential for understanding the way people in Enugu finance their housing at present. Efficiency therefore has to incorporate much wider criteria than the factors such as running costs and rates of interest which receive such prominent treatment in classical Western economics.

Hence, the level of general economic development existing in a particular society influences the growth and development of housing finance systems and institutions. For example, the availability of loanable funds from conventional institutions encourages speculative builders to build houses for sale, leading to the growth of a housing purchase market in most Western countries. In contrast, due to the relatively small amount of money unconventional institutions often provide, they seem to favour self-build in stages, while conventional institutions, which can offer large sums of money as housing loans, favour purchase.

The conventional finance institutions existing in Nigeria, for example, are mainly modeled after Western economic concepts while the unconventional institutions are based on indigenous culture. Gudeman (1986) has argued persuasively that it is not possible to analyse or understand economic data from one culture with models derived from another culture. In fact, it is likely to be self-defeating trying to rearrange or re-word culturally based models into those derived from Western economic concepts because it is especially in the patterning of the categories in the schemes or 'scripts' that cultural differences lie (Gudeman, 1986). This therefore poses a problem in any study that attempts to compare contrasting economic systems.

9.10. Relevance of findings to the Turner/Burgess debate.

The Turner/Burgess debate discussed in Chapter 6 was largely concerned with the problem of housing deficit: how best it could be tackled; what should be the role of the state and what role self-help housing should have. Turner (1976) emphasized the values of self-help and dweller control of housing while Burgess criticized Turner, particularly in two areas viz. the relationship between utility and market values and in not considering the transformation of self-build houses into a commodity form by the producer himself.

While it is necessary to consider the relevance of their debate to the present research, it is important to stress that this research focuses primarily on sources of housing finance and access to them, not on housing production and construction. Turner's advocacy of self-help and self organisation in housing production, however, clearly has some relevance here in so far as this centres on group cooperation, where individuals help themselves and one another to meet their common needs in housing finance. None of the self-organized housing finance institutions discussed in this research shows any trace of state intervention. They are based almost entirely on the trust the participants have in one another. Since they are entirely based on self organisation and since the participants seem able to control their organisation in a way which suits their own needs and thereby avoids the disadvantages of outside bureaucratic control, the small savers schemes discussed in this Chapter may be regarded as broadly fitting the spirit of Turner's 'anarchist' philosophy. The resourcefulness, diversity, flexibility and adaptability of the self-help organisations discussed in this research also accords to some extent with Turner's basic philosophy. Yet it can be argued that they have even deeper roots than the self-help 'organisations' Turner described in Latin America in that the forms of self-help and self-organisation we have described in this study through the <u>isusu</u> groups (A -

D), daily small saver schemes and also joint financing to a certain extent, are fundamentally rooted in the culture and traditions of Igbo society and are therefore more stable and permanent than Turner's because they are very likely to continue after particular self-help projects have been completed. In a sense, therefore, it can be argued that Turner's philosophy of self-organisation has even better prospects of success as regards housing finance in Nigeria than it has as regards house construction in Peru. Indeed, the results of this study show it is already very well understood and practiced by the people who need no convincing or persuasion by Turner.

It is difficult to defend the view that isusu originated as a response to capitalist penetration of the traditional society because isusu predates the advent of colonialism which ushered in capitalism on the Igbo society. However, it can be argued that isusu as it is now practised in urban Nigeria helps to meet the financial needs of urbanites which have largely been created by capitalism and so its widespread use and popularity is partly a result of demands for building materials and paid labour created by the greater importance of the money based economy in the urban areas.

Unconventional housing finance institutions such as isusu and daily small saver schemes are traditional forms of institutions that are influenced by the Igbo age-grade system. In the literature no references were found on rotatory or other credit unions in Latin America outside the Caribbean, except among the indigenous people. Hence there was no mention of them existing in the cities of Latin America. Of course, the age-grade system as such does not exist in Latin America. There may be other institutions and traditions which foster financial self-help in Latin American cities, but there is little mention of them in the literature so it is possible they are much less in evidence. On the other hand, conventional forms of housing finance generally seem better developed in Latin America as noted in Chapter 3. This contrast supports the view that 'self organized' financial institutions are more deeply rooted in Eastern Nigeria than in Latin America.

The Turner/Burgess debate is almost silent about the problem of housing finance and the role of various bodies in providing it, despite the fact that it can be argued that finance precedes construction since a house cannot usually be built until finance is available to pay for its construction cost. This research has shown that the methods of finance available can have a significant influence on the way housing is produced and acquired (cf. Sections 8.2;8.3 and 9.2). Thus participants in isusu, other things being equal, are probably more inclined towards building their own houses in stages because this fits in with isusu finance. Furthermore, the evidence of the survey is that self-builders who cannot get bank loans will tend to be more dependent on isusu and may therefore have to build more slowly in a longer series of stages. Thus unconventional finance, particularly isusu, and self-build are interdependent on each other. Conversely, conventional finance from the banks is linked to the acquisition of houses through purchase. Turner, Burgess and other researchers neglected this interaction in their debate.

It is important to emphasize that self-build is the norm in Enugu due to the absence of speculative builders who build houses for sale and due to the fact that housing finance institutions are much less developed than in Latin America, where houses for sale appear to be more in evidence. Thus self-build appears to be less dominant in Latin America than in Enugu and also appears to be more associated with those of average or below average income and the associated sectors of employment. It can be argued therefore that the participants in the Turner/Burgess debate may well need to take more account of these relationships between methods of finance and methods of building at least in a Nigerian context.

The analysis of the different ways finance is combined suggests that owners probably make diverse choices in order to make the most effective use of the various resources at their disposal. This broadly fits Turner's argument as regards the benefits of allowing users to make their own decisions. As noted in Chapter 8, there are other differences between self-build as practised in Latin America and Nigeria. Self-builders in Enugu and Nigeria as a whole probably have more difficulty as regards getting funds from the existing conventional housing finance institutions. Furthermore, self-builders in Nigeria acquire urban plots of land legally from municipal councils and submit building plans before commencing building. Thus, the large tenement buildings they construct have approved building plans and meet the building requirements of the city. This contrasts somewhat with Latin America where squatters illegally occupy "vacant" land and start self-building, which can subsequently be transformed from single family houses (essentially for use value) into multi-family houses by adding one or two rooms later which can be rented out. In contrast, the survey has shown that house owners in Enugu build with use value, exchange value and investment very much in mind. A large proportion of the owners of tenement blocks of flats and tenement rooming houses appear to build at the outset with the aim of renting since 63.6% and 67.0% of these houses are partly-rented. Further confirmation is that these structures both have low percentages of owners (1.4% and 16.3%) who are occupying them wholly. Unlike the self-builders discussed in the Turner/Burgess debate whose houses generally appear to be transformed gradually from single family houses (essentially entailing use value) to provide extra rooms to rent out, those in the Enugu case study build from the very beginning with renting very much in mind.

Moreover, house production on an industrial scale by large 'capitalist type firms' hardly exists in Enugu. Since there are no speculative builders, there is little sign of such firms competing with self-building activity or of such firms penetrating the 'traditional' urban self-build sector in housing. However, the use in urban housing of industrially produced materials some of which are imported, may represent a kind of penetration of traditional activities by 'modern' or 'capitalist' style organisations.

There are no signs of 'capitalist' banks attempting to penetrate the unconventional institutions or compete with them in this sphere of finance. In fact, the banks are not showing any sings of taking over <u>isusu</u> groups (at least not yet) and show little interest in extending their investment in funding houses as available statistics have shown (Chapter 4). Thus, at present there are no obvious conflicts between the two types of institutions. They appear to coexist and interact, as the case studies have shown. The banks do not seem to want to dominate the unconventional institutions, at least not yet. Rather their roles are complementary. For example, isusu funds are sometimes deposited in the banks.

Other issues discussed in the Turner/Burgess debate that require further comment include Conway's (1982) view that the rental market should be subject to rent controls. This is not easy to implement in a situation where there is an acute scarcity of rental housing, as in Enugu. As we noted in Section 7.3, the Rent Edict of 1976 failed because landlords in Enugu provide most of the rental housing available and in a suppliers' market were able to find ways to circumvent these controls.

It is also worth noting that much of Burgess's argument is about the role of the state in encouraging self-help housing. This research is not concerned with the role of the state in Nigerian urban housing provision, but with the role of conventional and unconventional finance institutions both of which are outside the state control, however defined.

Thus there are many significant differences, particularly culturally and institutionally, between the situations and conditions which Turner and Burgess seem to assume (which generally appear to reflect those of large Latin American cities) and the situations and practices found in Eastern Nigeria not only as regards the whole housing process in the urban environment and the way housing is produced but particularly as regards the way it is financed. It therefore seems reasonable to conclude that the terms and concepts in which the Turner/Burgess debate has been conducted will need some rethinking or reformulation or even abandonment before they can be convincingly related to the processes through which housing is both financed and constructed in Eastern Nigeria.

It is interesting to note here that in reviewing the Turner/Burgess debate, Nientied and van der Linden (1987) observed that there had been a wide gap between the theoretical issues discussed in the literature and 'practice' in the form of issues such as governmental policy on housing or in the form of appropriate lines of investigation for empirical research. The empirical findings of this thesis generally do not relate easily to those issues at the centre of debate between Turner and Burgess, though some of their concepts have provided interesting perspectives or afforded valuable basis for comparison with Latin America. Hence the present conclusion largely accords with that of Nientied and van der Linden (1987).

9.11. Summary

From the last two chapters (eight and nine), it is clear that the existing conventional financial institutions have failed to make housing finance available to people in all income groups. Their failure to do so has aided the growth and widespread use of unconventional housing finance institutions that lack the skilled technical and managerial manpower necessary for the smooth operations of a conventional mortgage institution. Participants in these unconventional institutions are influenced by their traditional culture, ethnic origin, social contacts in the city, profession and the attractions of easy and simple methods of saving. However, the fact that small saver schemes (that is isusu and daily small saver schemes) and organisations based on ethnic origin are widespread suggests that they offer significant financial services to households who are not adequately provided for by the conventional institutions. In addition, participants have been able to save, as well as have access to a large pool of savings which provides them with enough resources to achieve important economies of scale in house building. Besides, the fact that small saver schemes combine savings with lending suggests that there is a demand for a savings service and not just for loans by low income households in Enugu.

Moreover, their co-existence is a further confirmation of the importance of considering both types of institution in the development of a viable housing finance system, not only in Enugu but also in the country as whole. It is significant that small saver schemes such as isusu and daily saving schemes while coexisting with the conventional institutions have been able to help meet the housing finance needs of savers. Many of the landlords in the survey combined two or more sources of finance to build or buy their houses. This has serious implications for the policy options that can be adopted while developing a functional housing finance system for the country. In addition, it highlights the importance of urban-based ethnic unions and small saver schemes in the provision of housing finance as their widespread existence suggests they provide significant services to a wider variety of households, and that they can play a key role in the savings mobilization which will be discussed in Chapter Ten. This stresses the need to encourage them to grow within their traditional milieu, since they fill an important financial gap.

Chapter 10
Conclusions and recommendations

10.1. Introduction

This chapter discusses the main findings of the research and tries to point out its limitations as well as its implications for policy on housing finance. With reference to the survey data, it emphasizes that the general assumption that low income is synonymous with no savings is not necessarily true. The chapter then argues that if household savings are efficiently mobilized and properly channelled into the housing sector, this will facilitate the production of and improve the supply of housing and also create more jobs in the housing industry, which will benefit more low and middle income households, and ultimately improve their standard of living. This, it suggests, can be done through the creation of a Nigerian national housing bank as part of a national housing finance system.

10.2. Summary of main findings

In developed countries financial institutions act as intermediaries in providing the finance necessary for housing by accumulating funds from various sources and lending the same to potential borrowers (Boleat, 1985). Also, as we noted in Section 2.2 above, some of these institutions are owned by the government, some by the private sector, and some partly by both. Some are purely specialist housing finance institutions such as national housing banks, building societies, and savings and loans associations. Others have broader functions like commercial banks. Furthermore, in Section 3.6, it was noted that in developing countries there are few functioning housing finance systems whether public or private. The existing ones are mostly found in South and Central America and in Hong Kong. Other financial institutions whose primary activities lie outside housing finance often do not have the resources and expertise to lend for housing except in minor ways. Therefore, sources of housing finance are few, especially on a long term basis. Besides, even when loans are available, access is mostly restricted to high income households and at times to target groups like civil servants. Hence, many low and middle-income households are left out.

This is especially true in Nigeria, as we discussed in Section 4.1, where the conventional financial institutions are only marginally involved in housing finance. The case study of Enugu, discussed in Section 8.3, has shown that the funds of conventional finance institutions are not equally accessible to all income groups nor to people from all sectors of the economy. Moreover, their lending policies effectively discriminate against the lower income groups and the self-employed. As we noted in Section 4.3, the only specialist housing finance institution in the country (the Federal Mortgage Bank) has mostly funded high income households and its services have left much to be desired, especially as it combines the functions of a primary and secondary mortgage bank. Also, in Section 4.3.4, we noted that there is a shortage of skilled manpower in financial institutions resulting in large-scale default by the banks' borrowers. It would appear that many of the borrowers do not feel obliged to repay the loans even though they are in the high income group. In addition, there is no specific savings mobilization scheme, which is an essential ingredient for any meaningful housing finance system. As such, the Federal Mortgage Bank, has relied solely on financial support from the Federal Government.

In Chapters 8 and 9 we noted the variety of ways many urbanites have adopted to provide much of the housing finance they needed to fill the gap arising from lack of conventional finance. These methods of housing finance have been inspired by rural traditions of mutual self-help and cooperative pooling of resources. Isusu in particular, which is based essentially on mutual self-help, can in some respects be regarded as consistent with Turner's philosophy of self - help for housing construction. Thus, in urban centres like Enugu, unconventional housing finance institutions enjoy considerable popularity and thrive side by side with conventional housing finance institutions, as discussed in Sections 5.2 and 9.2. They are accessible to households from all income groups irrespective of their sectors of employment and in fact appear to be the main source of funding, along with personal savings, for tenement rooming houses and, to a lesser extent for tenement blocks of flats while also helping fund a significant proportion of bungalows. Unconventional methods have been adapted to suit the needs of self-builders and helped to fund large residential buildings such as tenement rooming houses and tenement blocks of flats without bank loans being involved in many instances as Table 9.3 showed. They are also more flexible than the banks and have adapted well to the needs of an urban society, especially in meeting the housing needs of small savers while retaining their traditional qualities. Members of isusu, for example, are not vulnerable or exposed to fluctuating interest rates and there are no known cases of re-possessions associated with this type of financing. Cases of large-scale default are also very rare as membership is voluntary and is seen as a commitment to the group unlike, for example, borrowers from the Federal Mortgage Bank. The existence and importance of these institutions, for example, the daily small savers schemes, is evidence of the savings potential of non-wealthy households. Moreover, they have an added advantage in that they widen the social network of the participants. Besides, they could provide an important base for any future national housing finance system in Nigeria, especially if they are encouraged to develop and have links, where possible, with conventional institutions. It can therefore be argued that there is a need for a conscious capital mobilization scheme for housing finance if the housing sector is to be functional and effective.

10.3. Problems and limitations of the research

The lack of theory in the field of housing finance, especially for developing countries, means there are few general concepts and relationships available to help structure and focus empirical research or to suggest what relationships may be significant and therefore worth examining and testing. Moreover, the paucity of empirical work in the field, especially regarding unconventional institutions means there are almost no studies which provide a basis for comparison or which suggest what relationships may be worth investigating. The absence of both theory and empirical work is therefore a major obstacle for anyone undertaking research in the uncharted sea of housing finance. With little or no theory available, the present study has been mainly empirical in character, concentrating initially on identifying what methods of finance are used and describing how they are used and by whom. The thesis has also attempted to formulate a conceptual model outlining what relationships might be expected regarding how conventional and unconventional finance are used. It is hoped that the empirical results discussed may help to fill this gap in the literature and that the simple model outlined may help to stimulate theory in the field. Nevertheless, the fact that the thesis is mainly empirical and somewhat descriptive in character is a reflection of the present state of knowledge in the field.

The scope and focus of the research were, of course, limited by the time and resources available. There are, however, a number of specific limitations which need to be borne in mind in assessing its conclusions. In Section 8.1, for example, the research noted that the Housing List used in drawing the samples, valid for the period in which it was compiled, may have been somewhat out-dated when the field work was actually carried out which may have affected, at least marginally, the representativeness of the samples and therefore the conclusions drawn from them. Also the use of an equal sample size for each district may have possible implications for the research, because it may have under-represented the population of houses in bigger districts in the city.

As regards information on methods of finance, further research should now take more systematic account of joint financing and daily small saver schemes. Thus, 'any other means' should be broken down into more particular types of unconventional institutions including joint financing, daily small saver schemes, and also borrowing from family, colleagues or money lenders. Self-build may also be broken down into the different types identified and discussed in Section 8.2 above. In addition, the wording of some questions was misinterpreted during the interviews. For example, the question regarding the main source of funds used by owners was answered as if what was required was all the different sources of finance they had used. This has limited the assessment the research could make with regards to the comparative contribution each source of finance made in funding urban housing in Enugu, but it did afford a useful picture of the way sources had been combined.

In addition, more research is still needed on the owners, whether self-builders or buyers, who used both isusu and bank loans or other combinations of finance like isusu and daily small saver schemes to see how and why they combined different types of finance and how much money came from each. Another interesting topic which merits further research is the number of tenement rooming houses that have been converted to tenement blocks of flats and the organisation of any 'joint finance' arrangement associated with this. More information on such topics would be useful for an in-depth assessment of the importance of all factors affecting the supply of urban housing in Enugu. Knowledge of the number of tenement rooming houses converted in particular will help determine the effect this has had on renters and renting in Enugu.

A key limitation of this research is the lack of information on how much money people actually obtained from unconventional institutions. The fact that relatively few respondents (67 out of 477) answered the question(s) on how much money they got as loans from isusu was a major constraint on this line of investigation and probably reflects the fact that people are reluctant to answer questions regarding money and wealth in Nigeria. In addition, at the time of the survey the questions regarding money could easily have been associated with tax assessment as it was the second quarter of the financial year in the country. Information about the value of loans would have helped the research assess the contributions each source made. In addition, such information would have helped the author to examine in greater depth the conceptual framework outlined in Chapter 6.

Nevertheless, it is clear that isusu was used as a major source of finance, along with personal savings, to fund large structures like tenement rooming houses and tenement blocks of flats. It is also clear from the case study of Group 'A' and, to a lesser extent, 'B' in Chapter

9 that participants in isusu who are using it for self-build can be contributing relatively large sums of money.

The fact that most owners financed their housing through various combinations of personal savings, unconventional methods and bank loans presented a major difficulty for this part of the analysis. With so many combinations being used and none dominating, it was not possible to analyse all combinations in detail. The variety of combinations however, is itself an important conclusion indicating the flexibility of unconventional methods to the circumstances of individuals. The analysis of combinations which was carried out in Chapter 9, however, further confirmed the importance of isusu in that of the five methods discussed, it was the method used most 'on its own', that is uncombined with the other four methods (Table 9.18). Furthermore, the evidence of Tables 9.8 to 9.9 is that self-builders of tenement rooming houses and to a lesser extent, tenement block of flats were more dependent on isusu and purchasers of bungalows probably less dependent on isusu, though still using it to some extent.

When all this evidence is taken together, despite the limitations of the research and the limited amount of direct evidence on sums contributed by isusu, it is difficult to resist the conclusion that isusu is contributing very substantially to the housing finance of owners for a wide range of income and occupation. Indeed it seems not unlikely that isusu was the single most important source of finance overall for the owners interviewed, probably exceeding bank loans in total amount contributed since 67.9% of all owners did not have bank loans at all. Judging by its total number of users, one method which might have exceeded isusu in the total amount contributed overall was personal savings. In the absence of information on actual sums contributed by the various methods and the impossibility of correlating personal savings with any building type or income group, the relative significance of those two methods (and others) must await further research.

There is also a need to carry out a comparative study of housing finance, especially with data from other major urban centres in Eastern Nigeria and indeed other parts of Nigeria, in order to further validate and perhaps generalize the findings of the survey. As we noted in Section 7.1 above, Enugu is a modern urban centre whose standard of housing is probably relatively higher than that of other Nigerian towns. A comparison of the result of the survey with that of other modern towns like Aba, Umuahia and Port-Harcourt will throw more light on the findings. Also, to compare the result from Enugu with those from traditional cities like Benin, Ibadan, Zaria and Kano, will help determine what is typical of Enugu and what is common to other urban centres in Nigeria as a whole. It is worth noting that the house types identified in this study are common to many Nigerian towns. Other surveys may help to show the differences, if any, in other urban centres where, for instance, Islamic culture influences the building of houses around compounds.

10.4. Review and assessment of the conceptual framework and model.

There were several areas where the results obtained in Enugu accorded well with what was expected from the conceptual framework in Chapter 6. Firstly, bank loans went mainly to those with higher incomes and in the public sector employment and bank loans appear to have been either the main source of funds for purchasers or one of the major sources. Bank loans were also used to some extent for self-build and it seems natural to assume that this was mainly for those whom the banks regarded as eligible and low risk. This probably included some people building a second house who could use their first house as security for a loan. Those who opted for self-build rather than purchase perhaps did so because houses available for purchase are hard to find. Thus some use of bank loans for self-build was largely expected from the model outlined. All the evidence points to the conclusion that the main form of construction and acquisition of housing, that is, 'self-building' was largely funded by unconventional methods.

As we noted at different points in the thesis, isusu in particular is well suited to self-build.

Though all groups used isusu to some degree, the evidence of the surveys suggests it was particularly favoured by self-builders and the self-employed and by groups who were regarded by the banks as less eligible or more risky such as the lower income groups. These findings accord well with the second broad hypothesis derived from the conceptual model that self-builders would mainly rely on unconventional finance.

There were, however, some important results which were quite different from those expected from the model. The conceptual model assumed that the banks are more likely to fund purchasing whereas unconventional institutions may be used for self-build and at best for 'topping up' loans for buying houses. However, the analysis in Chapter 9 showed that unconventional institutions were used not infrequently to provide funding for purchased as well as self-built houses. This is surprising considering the fact that unconventional institutions were generally thought originally to contribute relatively small amounts of money. Moreover, the in-depth study of particular groups discussed in Chapter 9 showed that some groups in fact contributed fairly large sums of money. This may help to explain why it is possible for unconventional methods to help fund both purchasing (probably mainly of bungalows) and self-build of large structures such as tenement block of flats when it might have been expected only to fund small structures such as bungalows and tenement rooming houses.

Unconventional sources of finance also appear to have made significant contributions in financing housing for people in all income groups and sectors of employment, contrary to the assumptions in the model that people in higher income groups are likely to rely almost entirely on funds from conventional institutions and would therefore have little need for unconventional finance since they are well placed to meet the banks' loan requirements. The model therefore appears to have underestimated the popularity and wide attraction of unconventional institutions, especially isusu. Part of the explanation for this may well be that some people in higher income groups may use isusu not only as a source of funding but also as a social forum for meeting with their colleagues and friends. The model took no account of the fact that unconventional institutions may have a social as well as an economic role and that the former role might add to their attractiveness. Whatever their mixture of roles, all the evidence examined here seems to confirm that unconventional institutions are clearly significant sources of finance for all sectors of housing in the city.

Nevertheless, while purchasers did use isusu more than expected according to the model, it appears from Tables 9.2, 9.3 and 9.8 that a large proportion of those using isusu to contribute to purchase and to acquiring bungalows were combining it with bank loans. Since bank loans granted were often a large proportion of the cost of a house, it seems likely that in many of these cases isusu formed the smaller contribution. This fits in with the view that for such people isusu's social attractions are significant. Thus, although these results do at first sight appear to contradict the model, they do so to a lesser degree once some account is taken of how bank loans and isusu were combined. It should, however be noted that, although the model drew attention to the fact that conventional and unconventional finance could combine, it probably tended to under-estimate the variety and extent of such combinations and the adaptability of unconventional finance to a variety of circumstances.

Thus, two types of unconventional finance were found in the field which the author was not previously aware of. During the field survey, the author encountered people engaged in daily small saver schemes and using joint financing in the construction or reconstruction of their houses, especially in the central business district of the city. By drawing attention to what seemed the most likely pattern of use for conventional and unconventional finance, the model has made it easier to identify significant departures from this pattern which require particular discussion and explanation. This can be seen as a necessary step which will help in the elaboration and improvement of the model's framework, which in its original form was clearly over-simplified. In this way the model has served a very useful purpose in the research. As a framework, it has also enabled a very large amount of information on many variables from two large surveys to be drawn together into a more coherent set of conclusions.

10.5. Significance of the housing sector in the economy

The housing sector of any country, and particularly developed countries, has been recognized as an important part of the economy (Bourne, et. al. 1963). Renaud (1984) has estimated that housing investment as a share of annual gross domestic fixed capital formation varies between 15% and 30% and that it is directly related to the economic development of the country. Consequently, the mobilization of personal savings through an efficient housing finance system into the housing sector will probably aid economic development by releasing funds to other sectors of the economy such as industry. This is even more important for many developing countries, and Nigeria in particular, which is presently burdened with external debts.

An efficient housing finance system should not end with the provision of finance for the residential sector, but should play an important role in mobilizing domestic savings for the general economic development of the nation (Bourne, et. al. 1967). In addition, the development of an efficient housing finance system will not only stimulate the housing industry, thereby creating employment, but should also greatly contribute to a better standard of living. For example, the type of employment which the housing sector is likely to create in Nigeria, where housing construction is still labour intensive, would include jobs for the skilled, semi-skilled and unskilled middle and low income groups.

Furthermore, the housing sector, unlike other sectors of the economy, is a major non-traded sector with a limited need for foreign exchange and less imported materials, since it relies more on indigenous labour and local materials. It could, accordingly, be used in Nigeria as a counter cyclical tool in reviving the national economy and in cushioning the effects of the present economic depression on the middle and low income households. It will be argued in the following sections that the creation of a more effective housing finance system could be achieved through the mobilization of household savings, and the creation of a national housing bank. A national housing bank, is a specialist housing bank that should be able to raise funds by mobilizing personal savings and internal borrowing and be able to lend the same to potential borrowers irrespective of their income, status and sector of employment.

10.6. Domestic savings mobilization

In most industrialized countries, household savings in conventional finance institutions make up the largest source of funds for housing loans (Boleat, 1985). However, this research has shown in Chapter 5 and various parts of Chapter 9 that in Nigeria and Enugu in particular, most households rely more on their own savings and/or a variety of unconventional institutions for the construction of their houses. In addition, as we noted in Section 2.3.1, many households use the direct finance system by borrowing from family, friends, and colleagues or even from money lenders. Hence a large proportion of housing investment in Nigeria and particularly in Enugu, is financed through unconventional housing finance institutions. This is made possible by the significant capacity of low-income households to save for housing as seen in the Enugu case study. If these savings were more effectively channelled through a conventional housing finance system, they might not only represent a major source of funds for housing, but could contribute to the economic development of the country.

Presently there is no conscious effort by the Nigerian government to initiate a savings mobilization scheme designed specifically for housing finance. In addition, there is no savings mobilization scheme for the housing sector by the existing housing finance institutions. The institutions discriminate against low income households and are unwilling to lend to them due to the fear, arguably largely unfounded, that such deals are risky. The only action taken by the government to attract savings generally from the public was to de-regulate the interest rate and this was not directed at the housing sector.

Earlier notions that the low-income groups in developing countries are incapable of savings has been proved false by theoretical and empirical research on household savings

(Adams, 1978 and 1984; Von Pischke, 1978, Grimes, 1976). Another reason which is often advanced in favour of the conventional housing finance institutions refusing to deal with the low-income group is that the cost of transactions associated with small deposits and a branch office system is usually enormous. This could, however, probably be overcome by careful planning and in-depth understanding of the nature and functions of rotatory credit associations as they exist in a particular environment. For instance, instead of the conventional housing finance institutions dealing with individual small savers, they could deal with the rotatory credit associations as a group, not just for tapping their group savings, but towards a long term goal of giving them loans to finance their housing through the group officials. The group's savings could then be allowed as the down payment or deposit if the contract savings scheme discussed below were adopted. In this case, the group's contribution would then be deposited as part repayment of the loan, instead of being shared out.

This arrangement may present isusu officials with the problem of having to play double roles, that is, the burden of recovering the loan through collection of contributions and at the same time deciding who receives what amount of loan and when. Whatever arrangements are made, it is essential that the associations maintain their independence, unity and mutual trust which is essential to keeping them together. Since the officials are elected periodically, any official who becomes too bureaucratic and assumes more power than is necessary could therefore be dropped during an election. In the case of recovering the loan and in deciding who receives what and when, they need not change the customary system they are used to which has been effective within the group. As we discussed in Chapter 5, different groups adopt different systems of deciding who receives what and when. In this way, the associations would retain their identity in the collection of savings and disbursement of group loans from the conventional financial institutions and should be able maintain their capacity for making their own decisions, independent of the banks they are linked to.

The financial institution(s) should then be able to save the extra cost of transactions that would have arisen, if it had to deal individually with small individual savers. It would also avoid the need for costly extensive branch office systems and yet be able to reach many people at the same time. Moreover, such an association would be able to link independent rotatory credit associations together through the intermediary financial institution, with each group still retaining its identity.

As independent associations, available funds may have rotated within the groups, but when they are linked together by a national housing finance system through a national housing bank, the pooling of the funds and also the shared risk involved should be mutually beneficial to all the participating groups. Moreover, the use of a common financial system in most cases generates social efficiencies through the pooling of risks and in the allocation of funds for investments (Renaud, 1984).

There are, however, dangers or disadvantages inherent in this type of arrangement. One obvious danger is that of bureaucratic control by the banks which may creep in and weaken or even damage the vigour of existing practices. Also it may erode group identities and thereby reduce the spirit of self-help and mutual cooperation central to the group's existence. To over-come such bureaucratic control and for isusu groups to be able to maintain their autonomy, there could be inserted in the scheme's contract, a proviso which would enable isusu groups to withdraw from the scheme if they found the arrangement had been disadvantageous or it had posed problems for the group, for instance in ensuring repayment of the loan. Since isusu schemes are nearly always short term, the right not to renew an arrangement with the bank will always be there in any case. This should also help to maintain the independence of isusu groups and give the banks an incentive to devise and maintain arrangements which are attractive to the isusu groups. The groups would thus have the option to withdraw from the scheme before accepting the loan from the bank. Also to overcome the problem of repaying interest charges when the rate of interest might vary, it would be desirable for the national housing bank to adopt a fixed interest rate policy instead of a variable interest rate. A fixed rate of interest would fit better with fixed isusu contributions and therefore present fewer problems and stresses for the smooth running of isusu groups but whether this is realistic or not will depend on the circumstances of the national economy and the bank's policy priorities. With such an arrangement isusu groups would have the option of deciding, right from the very beginning, how much to contribute in order to cover the principal sum loaned plus the interest charged on it.

A further danger is that a bigger organisation like the national housing bank may not be able to cater for specific individual needs as the independent associations have done. Thus, it is important that isusu groups should try to retain as much of this independence and freedom as possible including such matters as the order in which their members receive loans and how much. It may be necessary to start the scheme by using pilot projects which will be monitored using different arrangements to find the best way for unconventional and conventional institutions to be linked and to find out what the problems are. This will enable the planners to make necessary adjustments when implementing the proposal. It is worth noting that these arrangements seem particularly likely to suit isusu groups such as group "B" identified in the case study of four small saver groups (Section 9.6), that have long term plans of building an urban house as a joint project. After building the house, the group may well rent out part of it to get money to help them repay their loan. Since it is a long term project, it will suit groups of this nature that do not easily disband even if the period of amortisation is twenty years and over. Thus the long term nature of group "B's" plans and the fact that their shared project will keep the group together should make it easier for such groups to maintain suitable arrangements for repaying the group loan.

10.6.1. Role of a national housing bank

A specialist housing bank like a national housing bank is necessary, since the existing conventional institutions are not fully involved in housing finance. The establishment of a specialist housing bank as a primary mortgage institution could offer the most effective link not only among the rotatory credit associations but also with the conventional housing finance institutions as shown in Figure 10.1 below. Care must, however, be taken in the planning and design of a national housing bank, in order to avoid the pitfalls of the Federal Mortgage Bank. For example, the national housing bank is likely to face stiff competition from other established financial institutions for household or personal savings. It must therefore be able to offer competitive rates of interest on savings in order to attract savers, as well as assure them of access to mortgages.

In addition, if the national housing bank is to succeed where the Federal Mortgage Bank failed, the management should be given some powers to take decisions that will be in the best interest of the bank, with less interference from the Nigerian civil service bureaucracy. It must be noted that poor programme design and administration may lead to inadequate collection rates and small margins between the cost of funds and mortgage lending rates, which may result in poor performance and create a threat to the financial viability of the funds. Likewise, office branches must be created for economic rather than political reasons, unlike the Federal Mortgage Bank, discussed in Section 4.3 above. Furthermore, such an institution is most likely to face problems such as a shortage in skilled manpower. Therefore, it must be prepared to attract, train and re-train its labour force. It can do this with the help of international organisations such as the International Union of Housing Finance Institutions, Institute of Financial Education and Shelter Afrique. These organisations discussed in Section 3.8 above, provide technical aid to developing countries in the form of manpower training in housing finance.

Moreover, by combining the functions of a secondary and primary mortgage bank, the Federal Mortgage Bank of Nigeria assumed a wider and larger role than its resources and expertise could cope with. Therefore, the creation of a national housing bank will not only ease the burdens of the Federal Mortgage Bank, but will be in accordance with the stipulation of the Federal Mortgage Bank Decree No. 7 of 1977, which had among other things provided for the encouragement and promotion of other mortgage institutions at state and national levels. In which case, it would make sense for the Federal Mortgage Bank to curtail its function to that of a secondary mortgage bank, as was the case in Trinidad and Tobago (Hart, 1988).

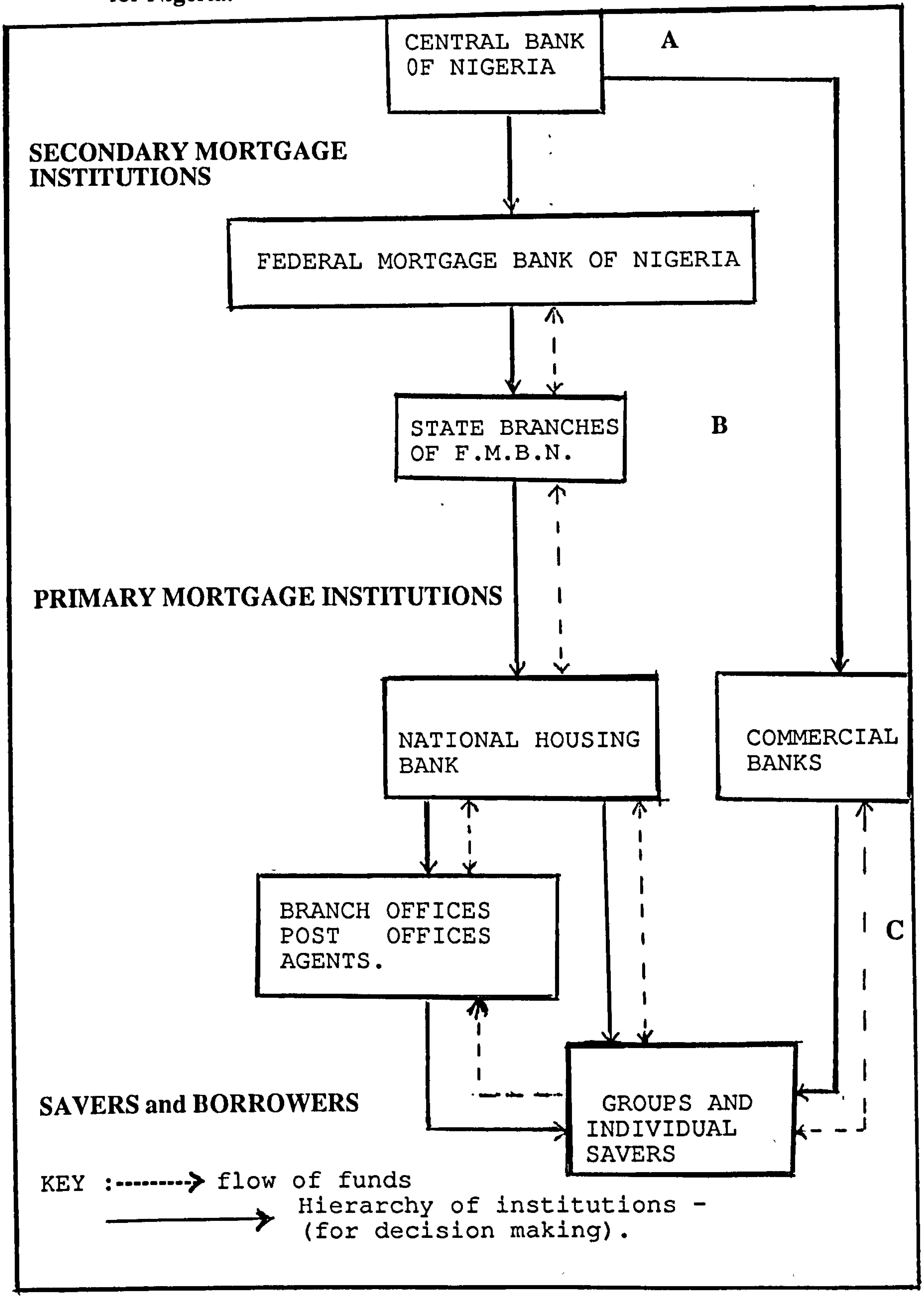
The Federal Mortgage Bank could do this through raising funds either from the capital market by selling bonds or by borrowing from Insurance Companies or from the National Provident Fund or some mixture of these. Besides, in the long run this will aid the development of the capital market in Nigeria. Furthermore, since mortgage banks do not usually have a wide network of branches, but often work in conjunction with other agents or organizations, especially primary mortgage institutions, there is the need to create a national housing bank to function as a primary mortgage institution.

A specialised housing institution like a national housing bank has the potential to attract savers from low-income households, especially if it can offer competitive deposit interest rates to savers. It will thus act as an intermediary institution between savers at local and state levels and the Federal Mortgage Bank at the top, thereby helping to create a national housing finance system in the country. The proposed national housing bank could be tested as a pilot scheme in one or two states. This will help the management and policy makers to monitor its operations closely before it is introduced nationwide. Such a national housing finance system should have three levels of administration, as shown in Figure 10.1, in order to be effective and avoid the bureaucratic muddle of the Federal Mortgage Bank. The diagram shows that at the top (A), the Central Bank of Nigeria formulates the fiscal policies for the whole country. The policies are passed on to primary mortgage institutions through the Federal Mortgage Bank, a secondary mortgage bank, responsible for raising funds from the capital market and formulating mortgage policies. Such policies should include setting out policy guidelines to be followed by the primary mortgage institutions.

At the state level (B), the state branch of the Federal Mortgage Bank will interact with the national housing bank by ensuring that national lending policies are properly implemented at the state level. It will not, however, interfere with the day to day running of the housing bank. This may eliminate some of the problems that faced the Federal Mortgage Bank when the state branches had no authority delegated to them, because all decisions were taken at the headquarters in Lagos. As we noted in Section 4.3.4, they became mere application collection centres.

The arrangement being proposed here to link isusu and other unconventional finance institutions to the national housing bank may be akin to Turner's view of the interaction between the state and self help groups in housing construction. The difference, however, is that the proposed national housing bank is to operate on a purely commercial basis and its interest rate policies will be determined by market forces. The proposed national housing bank must not be seen as an agent of the government concerned with providing finance for subsidized housing or subsidized mortgages.

Figure 10.1: A Proposed national housing finance system for Nigeria.



Moreover, a state branch of the Federal Mortgage Bank should be able to monitor the operations of housing finance institutions at the state level. It will also liaise with the national housing bank regarding the fiscal policies on housing formulated at the national level, as well as monitor the use of funds raised in the capital market by the Federal Mortgage Bank for the national housing bank. At the local level (C), the branch of the national housing bank should be able to interact with groups and individuals (savers and borrowers alike) and by so doing link them up with the national system.

It should be noted that the success of the proposed national housing bank will depend very much on the socio-economic and political climate in the country during the implementation stage. There may be some need to make necessary adjustments to suit the situation that exists during its implementation. Its success may also depend on how strongly and effectively the case for the need to save in a national housing bank instead of the unconventional institutions, which they are used to, is put to small savers. Thus, unforseen circumstances may need to be taken into consideration in implementing the scheme or adapting it to new conditions or, in even more adverse circumstances, in deciding whether the scheme is workable or not.

One of the basic conditions for successful savings mobilization is the provision of convenient locations for savings. This is possible if the national housing bank has branches in urban and rural centres in each state. Where the cost of office branching may be deemed too high, costs may be reduced by using the post offices and postal agencies in the collection of savings. The bank may also employ agents and or hire the services of private agents or the collectors identified in the survey in the collection of savings for example those involved in the daily small saver schemes. Such agents, however, must be familiar to the savers. The Enugu survey showed that because savers were familiar with the collectors, they did not hesitate to entrust their savings to them. Such a factor must be taken into consideration in the appointment of agents for the national housing bank. However, unlike the situation in Enugu, where independent collectors retained a day's savings as their commission, non-wealthy households are more likely to benefit from improved deposit opportunities provided by safe, liquid, interest-bearing deposits that allow households to earn a positive income on their savings balances (Vogel, 1986). Branch offices or agents should be able to deal with individual and group savers alike. Care must, however, be taken to determine the integrity of those appointed as agents in order to avoid fraud.

Moreover, as Elegalam (1978) noted, bank transactions are time consuming in Nigeria, and this was confirmed by the interviews of the users of daily small saver schemes which showed that artisans and other self employed people in Enugu save with private agents largely or partly because bank transactions involve much paper work. This can be overcome in the short term by retaining the services of agents and collectors and in the longer term by training and re-training the bank staff in order to improve the services provided and in modernizing the banking system to accommodate the wider population.

A national housing bank should use such agents or mobile banks in attracting savings. Small saver programmes should include ways of saving small depositors the cost of travelling to the financial institutions by meeting them in places of domicile. Although it could be argued that such daily savers are likely to withdraw their savings at short notice, it must be remembered that they are more likely to save and earn some interest than lose a day's savings to the collector. Furthermore, among the reasons advanced by the savers, discussed in Section 9.3 above, for withdrawing their savings at the end of the month was that this was a precautionary measure against losing a bigger sum in case of default by the collector. They are therefore more likely to save with a secure financial institution if the cumbersome processes involving much paper work are reduced. Besides, they are also more likely to save if such savings will entitle them to a housing loan. As Grimes (1976) noted, the desire to own a house and the attendant social mobility and prestige is a strong incentive to save among lower-income groups. Moreover, an important factor in the success of a small saver programme depends on reciprocity: that is, whether the financial institutions can profitably lend to the same clientele from which deposits are mobilized (Vogel, et. al. 1986). Therefore, a national housing bank should be able to tap voluntary savings from prospective savers if there is a guarantee or at least a good prospect of a loan.

10.6.2. Contract savings

Another means through which the national housing bank can attract savings is through contract savings. By this method, the national housing bank offers contract savings plans in which depositors who save for a specific amount over a specific period of time are automatically entitled to a housing loan which is, in most cases, greater than the savings accumulated. The amount saved over time becomes the down payment. In countries like West Germany, where contract savings schemes are operational, savers earn interest on their savings deposits and are aware that access to a loan is guaranteed (Boleat, 1985). Although the United Bank for Africa is currently trying the same experiment in Nigeria, there is no guarantee that a saver is entitled to a loan at the end of the contract period. Contract savings, however, must be carefully planned and approached cautiously, since if there are no new savings contracts, when withdrawals are more than savings, the system is likely to collapse. Therefore to be sustainable, it should be used in conjunction with other savings schemes such as a mandatory savings scheme.

10.6.3. Mandatory savings scheme

Mandatory savings is a variation of the contract savings scheme in which the government decrees a mandatory savings plan. In this case, the government may decide that employers and employees pay a certain percentage of their earnings into a housing fund for lending. This scheme has been used in some other developing countries such as Chile, Jamaica, Mexico, and Peru in house funding by levying payroll taxes on both employers and employees (Carlson, 1988; Hart, 1988). Brazil and the Philippines have also utilized compulsory savings schemes for employers but paid interest on the fund (Franco, 1988; Boleat, 1985;1987a). In these countries the schemes were deemed by the authors mentioned to have been successful because they made substantial numbers of mortgages available and accessible to potential borrowers. In Nigeria, mandatory savings have been used by the government to raise money internally during the structural adjustment programme, without interest. The money raised was not, however, channelled into housing. If employees could comply with such mandatory savings for other utilities, they are more likely to be receptive to the scheme if it is for housing, knowing how important housing is. If initiated, savers could be given the option to withdraw their savings or to use it as down payment for a housing loan at the end of the saving period. Employees, could further be induced and encouraged to save by granting them tax concessions on savings with the national housing bank, as is presently granted to holders of life insurance policies. Thus this would not be a tax exemption, but an inducement to save with the national bank.

However, it must be noted that the success of the mandatory savings scheme in creating a cost-effective funding source will depend on factors such as the effectiveness of collection, the rate of interest and repayment experience on mortgage loans made or purchased with these funds in relation to the cost of the funds (U. N. O. 1978). If it is attractive, house owners will also save with the scheme. The main disadvantage of this scheme is that it is a form of 'regressive tax' where large numbers of people are required to contribute, with a few receiving the loan. This notwithstanding, as noted above it has been successfully used in Brazil, Chile and Jamaica and may still be used in Nigeria provided the local environment is taken into consideration.

10.7. Assessing the way forward

Developing countries, and Nigeria in particular, have a lot to learn and gain from the experience of developed countries in developing their housing finance systems. They can do this, not by borrowing funds externally, but by internal mobilization of savings through the creation of specialized primary housing finance institutions at the intermediate level. This is possible if such an institution offers high and competitive interest rates that require a small minimum balance, guarantees the safety of deposits, and if there is also reciprocity from the conventional housing finance institution in the form of ready access to housing loans. It is possible, however, that the high rate of interest to savers may lead to a high cost of loans to borrowers.

Since a key factor in any savings mobilization scheme, especially from household savings, is the provision of convenient locations, they could work in conjunction with other institutions, such as the unconventional ones. As noted in Chapter 9 there is already some form of interaction as shown in the study of the four small saver groups (Section 9.6). What is needed is to encourage the conventional institutions to recognize the importance of unconventional institutions and interact more with them. Alternatively, they could make use of commissioned agents in interacting with individual savers or groups. There must, however, be minimum interference with the organization of the existing unconventional housing financial institutions for the reasons discussed earlier. As the government's efforts in direct financing through the Federal Mortgage Bank have generally failed and the situation is now compounded by the present economic recession, the best way forward would seem to be in harnessing the existing unconventional housing finance institutions through an elaborate savings mobilization policy. This can best be achieved through the creation of a specialist national housing bank at the intermediate level.

One thing Nigeria needs to help reduce her housing shortage is a functional housing finance system. What exists at present is at best patchy, as already discussed in Chapter 4. The creation of a national housing bank is only part of the solution to the problems of housing finance and housing shortage. The bank's effectiveness and impact in reducing the housing shortage will be difficult to measure (certainly in the short term) because the level of housing shortage in Nigeria in the decade(s) ahead will also depend on many other factors including the fortunes of the national economy, the rate of urban growth, changes in family structure and behaviour, demographic change, the cost of raw materials and manufactured goods needed in construction and on the efficiency of the housing construction industry. While, in theory the ultimate test of the success of the country's housing policy, including the creation of a national housing bank, ought to be its impact on the national housing shortage, this impact may be difficult to separate out from those of the other factors affecting the housing situation.

It can be argued that the solution of the national housing shortage can best be tackled by drawing up a comprehensive national housing policy, planned over a long period, which also takes account of such other factors as access to land, building materials and standard and design of houses. The effectiveness of a functional housing finance system can, however, be measured directly and effectively by the number of mortgages the system gives and to whom. If the proposed national housing bank can at least deal fairly with the lower income and the self employed groups by giving them equal access to housing loans, instead of discriminating against them, that will improve their access to housing finance very significantly as compared to the present situation.

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APPENDIX - A

SOURCE OF HOUSING FIANCE SURVEY
– THE LANDLORDS IN ENUGU

	COLUMN CODE	PASS TO
Questionnaire No.	1-4	
Card No.	5	
District: House No/Street	6-7	
Name of Interviewee (Optional)		

INSTRUCTION:

1. PLEASE OBSERVE AND CIRCLE THE TYPE OF ACCOMODATION. CODE

Bungalow	1	
Tenement Block of flats	2	8
Tenement Rooming House	3	
Any other type	4	

2. Did you become the owner of this sampled

House by Building it yourself	1	
Inhering it	2	9
~~Buidling~~ buying it	3	
Winning it by lottery	4	
Any other means	5	

(IF BOUGHT OR BUILT, ASK) Did you finance it through (CIRCLE EACH RESPONSE)

Personnel Savings only	1	10	6
Bank loan	1	11	
Isusu Contribution	1	12	6
Membership of Social Club	1	13	6
Money Inherited	1	14	6
Any other means (Specify).	1	15	6

3. (IF BOUGHT OR BUILT THOUGH BANK LOAN, ASK)

How much did it cost you to build this house ? / N — 16

(IF BOUGHT OR BUILT THOUGH BANK LOAN ASK)
How much were you given as loan ? — 17

4. How much did you apply for ? / N — 18

5. (IF BOUGHT OR BUILT THOUGH BANK LOAN, ASK)
What loan requirements did you find most difficult to meet ? (WRITE IN THE SPACE BELOW) — 19 — 7

____

____

____

6. (IF NOT BUILT THROUGH BANK LOAN, ASK) — 20

Why Not ?

Did not know I can apply	1
Didn't know any bank to applyto.	1
Didn't need a Bank loan	3
Had other sources of fund	4
Loan requirpments were difficult to meet	5

(IF LOAN REQUIREMENTS WERE TOO DIFFICULT ASK) Which of the requirements did you find most difficult ? 21

ASK ALL ______________________

7. When was this house built/bought 19 22

Since building/buying it, have you 23

Carried out major repairs	1	
Extended it	2	
Both	3	
None of the two	4	
Any other	5	

(IF REPAIRS OR EXTENSIONS HAVE BEEN CARRIED OUT ASK) 24

How much did you spend ? /N

When was the Repairs/Extension carried out ? 19________ 25

Did you apply for loan to do it ? Yes 1 26

No 2 8

(IF YES, ASK) How much did you apply for /N 27

How much were you given 28

Which Bank did you apply to ? 29

WRITE NAME OF BANK IN SPACE PROVIDED)

---

8. IF NO APPLICATION WAS MADE FOR LOAN FOR EXTENSION REPAIRS, ASK) WHY NOT 30

Don't know I can apply	1
Don't think it was necessary	2
Had other sources of fund	3
Any othe reason	4

SECTION B

9. Is your house rented wholly 1 31

Partly	0
Not at all	3
Any other	4

(IF RENT PARTLY OR WHOLLY, ASK) How many tenants (i.e households) have you /// 32

10. (ASK ALL) Do you belong to any of the following:

Isusu group	1	33
Social club	1	34
(CIRCLE ALL Town	1	35
RPSPONSES) Any other group	1	36

11. Did you apply for loan from any of the groups to buy or Build your house ? 37

Yes	1	
No	2	13

(IF 'YES' ASK) Which of them

Isusu group	1	38
Social clubs	1	39
Town Union	1	40
Any other group	1	41

12. Were you given

Yes	1	42
No	2	

(If 'Yes' Ask) How much /N 43

13. (IF NO APPLICATION FOR LOAN WAS MADE TO ANY OF THE GROUPS, ASK) Why not ? 44

The group had no money	1	
The group does not give loan for Housing	2	45
I was not interested	3	
Any other reason	4	

SECTION C

14. (ASK ALL) Do you save with a Bank Yes 1
No 2

(IF YES ASK) Which Bank (s)________ 47

(WRITE ANSWER IN THE SPACE)________

(IF 'NO' ASK) Do you have any other means of 48

Saving ? Yes 1
No 2

(IF YES ASK) HOW 49
(WRITE ANSWER IN THE SPACE)________

15. Do you have other houses 50
(CIRCLE ALL RESPONSES)

Here in Enugu	1	51
Another town in the state	1	52
Another rural/vallage with the		
Another twon outside the state	1	53

HOW MANY ARE THEY ? ________ 54

16. What is your occupation ? 56

____

Are you an Employee	1	57
Self empoyed	2	
Employer	3	

17. (IF EMPLOYEE, ASK)

Are you in the 58
Public Sector 1
Private Sector 2

What is your salary/grade level 59

18. (IF SELF EMPLOYED OR EMPLOYED IN THE PRIVATE SECTOR ASK) 60

How much do you earn in a month

/N

19. Does any member(s) of your immediate family engage in a (CIRCLE ALL RESPONSES)

Paid full time job	1	61
Paid Part-time job	1	62
Any other business	1	63

How many are they ? ________ 64

20. What is the level/category of their income (CIRCLE ALL RESPONSES) CODE

Levels			
"	1 - 4	1	65
"	5 - 7	1	66
"	8 10	1	67
"	10 - 12	1	68
"	13 - 16	1	69
"	over - 16	1	70

23 Do you have any more information or comment about the questions you have been asked ? 71

(WRITE USEFUL AND RELEVANT INFORMATION IN THE SPACE BELOW)

____

____

____

APPENDIX – B

HOUSEHOLD SURVEY: ENUGU, ANAMBRA STATE, NIGERIA.

	Column	Pass to
Questionnaire Number	1-4	
Card number	5	
District	6-7	
House no./Name of street		
Name of Interviewer (optional)		
Date of Interview:		

Instructions;

(1) PLEASE CIRCLE EACH RESPONSE WITHOUT BLOTTING THE FIGURES.

(2) QUESTIONS RELATED INSTRUCTIONS ARE PRINTED IN CAPITALS. BEFORE THE INSTRUCTION.

(3) WHERE INTERVIEWEES GIVE MORE INFORMATION THAN THE SPACE PROVIDED, PLEASE WRITE ON THE BLANK SIDE OF THE SHEET.

CODE

1 (OBSERVE AND CIRCLE TYPE OF ACCOMMODATION) 8

	Code
Bungalow	1
Tennement block of flats	2
Tennement rooming house	3
Any other (specify)	4

2 (ASK) Is this house-

	Code	Column
A government official quarter	1	9
Low cost government housing	2	
Privately rented accommodation	3	
Privately built (onwer-occupier)	4	
Employer rented accommodation	5	
Any other type (specify)	6	

1

3. Are you a 10

	Code	Pass to
Tenant	1	6
Landlord	2	6
Owner Occupier	3	6
Caretaker	4	6
Any other (specify)	5	

4 (IF A TENANT, ASK) How much do you pay as monthly rent ? 11

5 How many rooms are you occupying ? 12

6 (ASK ALL) For long have you been living in this house? 13

Under 1 yr.	A	1
1 - 2 yrs	B	2
3 - 4 "	C	3
5 - 6 "	D	4
7 - 8 "	P	5
9 - 10 "	F	6
Over 10 "	G	7

7. Before coming to this house, where were you living in ?

	Code	Column
Another house on this street	1	14
Another street in this district	2	
Another district in Enugu	3	
Outside Enugu	4	

15

2

8 (IF OUTSIDE ENUGU, ASK)
Was it
A rural/village around Enugu 1
Rural/village within the Town within the State
Rural/village outside the State 4
Town outside the State 5
Any other (specify) 6

9 (IF NOT OUTSIDE ENUGU, ASK) 16

What is the most important reason
Why you left your former accommodation ?
High rent 1
Inconvinient location for school place of work etc. 2
Lack of amenities like water and light etc 3
Insufficient accomodation 4
Any other (specify) 5

10 Does you present accommodation suit you? 17 15
Yes 1
No 2

(IF NO, ASK) What is the main reason
Why it does not suit you?
High rent 1 18
Inconvenient location for school place of work etc. 2
Lack of amenities like water and light 3
Insufficient accommodation 4
Any other (specify) 5

11 Have you made any attempt to find another accomodation since you moved in here ?
Yes 1 19
No 2

(IF YES, ASK) What is the main reason for not being able to find another accommodation ? 20
The rents are too high 1
The Landlords demand high rent advance-payment 2
Available accommodation is not suitable 3
Available accommodation is not convenient to work etc. 4

Any other (specify) 5

12 Would you still like to move ? 21
Yes 1
No 2 15

(IF YES, ASK) Would you like to move to 22

Another rented accommodation 1
Buy you own house 2
Buy a plot of land and build on 3
Any other (specify) 4

13 Have you attempted to buy your own house or plot of land to build your own house on ?
Yes 1 23
No 2

(IF YES. ASK)

14 What was the main difficulty you encountered in doing so ? WRITE ANSWER IN THE SPACE BELOW. 24

SECTION B

15 (ASK ALL) Do you save with a Bank ? 25

Yes	1	
No	2	

(IF YES, ASK) Which Bank(s) 26

(WRITE ANSWER IN THE SPACE PROVIDED)
(IF NO. ASK) Do you have any means of saving ?

Yes.	1	27
No	2	

(IF YES. ASK) What for?
(IF YES. ASK) How do you save ?

In the house	1	28
With friends and relatives	2	
Any other (specify)	3	

16 (ASK ALL) Have you ever applied for a bank loan ?

Yes	1	29
No	2	

(IF YES. ASK) What for ?
(CIRCLE ALL RESPONSES)

Housing loan	1	30
Car/motor cycle/bicycle	1	31
Furniture	1	32
Establishing a business	1	33
Any other (specify)	1	34

17 (IF HOUSING LOAN IS NOT ONE OF THE RESPONSES, ASK) Have you ever applied for a loan for Housing ?

Yes	1	35
No	2	

18 (IF HOUSING LOAN IS ONE OF THE RESPONSES IN Q. 16 OR THE ANSWER TO Q. 17 IS 'YES', ASK) How much did you apply for ? (WRITE ANSWER IN THE SPACE PROVIDED) 36

19 Were you give the loan ?

Yes	1	37
No	2	

(IF YES, ASK) How much were you loaned ? (WRITE THE ANSWER IN THE SPACE) 38

39

Did you use the loan exclusively for housing purchase of construction ?

Yes	1	
No	2	

(IF NO, ASK) What other things did you use the money for ? (WRITE ANSWER IN THE SPACE BELOW) 40

20 Have you repaid the loan ?

In full	1	41
In part	2	
Not at all	3	

21 (ASK ALL WHO HAD APPLIED FOR HOUSING LOAN) What main problems did you enconter in applying for the loan ? (WRITE ANSWER IN THE SPACE BELOW) 42

2 (IF THE INTERVIEWEE HAS NEVER APPLIED FOR A BANK LOAN) Why not ? 43

Did not know I could apply to bank	1	
Don't know any bank to apply to	2	
Don't need a bank loan	3	
Have other sources of fund	4	
Don't think I can meet the bank conditions	5	
Any other (specify)	6	

SECTION C

3 (ASK ALL) Do you own a house in your town/village ?

Yes	1	44
No	2	

4 (IF YES, ASK) Is it made of Mud walls and zinc roof 1 45

Mud walls and thatch roof	2	
Cement blocks and zinc roof	3	
Brick walls and zinc roof	4	
Any other materials (specify)	5	

25 Did you- Buy it

Buy it	1	46
Have it built	2	
Inherit it	3	
Any other (specify)	4	

26 (IF BOUGHT OR BUILT, ASK) Did you raise the funds through

Personal savings only	1	47
Bank loan	1	48
Isusu contributions	1	49
Social Club membership	1	50
Money inherited	1	51
More than once answer	1	52
Other sources	1	53

(CIRCLE ALL RESPONSES)

27 (IF BUILT, ASK) Was the construction carried out though (CIRCLE ALL RESPONSES)

Solo (self) effort only	1	54
Help of family and friends	1	55
Jobbry builders	1	56
Help from Age-grades	1	57
More than one	1	58
Others	1	59

28 Did family and friends help with

Finance	1	60
Building materials	1	61
Any other	1	62

SECTION D

(ASK ALL) Are you a member of your Town Union?

Yes	1	63
No	2	

(IF YES, ASK) How often do you meet ?

Every 4 days	1	64
Weekly	2	
Every two weeks	3	
Once a month	4	
Any other period	5	

29 Do you meet in a

Private house	1	56
Public building	2	
Any other place	3	

30 (ASK ALL) Are you a member of any rotatory Credit Union ? 66

Yes	1	
No	2	

31	How often do you meet ?		
	Every 4 market days	1	67
	Once a week	2	
	Every two weeks	3	
	Once a month	4	
	Any other period	5	
32	How much money does a member contribute per meeting ?		68
33	Is the money collected		
	At meeting times only	1	
	Through appointed agents	2	
	Any other method	3	
34	Does your Union engage in any other activities?		
	Yes	1	70
	No	2	
	(IF YES, ASK) What activities ? (WRITE THE ANSWER IN THE SPACE BELOW)		71

CARD NO. 2 — 1-4

35	Was the Union introduce to you by		
	A member	1	5
	A non-member	2	
36	Are there any Isusu groups you are aware of which you might be eligible to join ?		
	Yes	1	6
	No	2	

(IF YES, ASK) Why have you not joined one ?

Don't have sufficient income	1	7
Don't like the practice	1	8
Don't understand its functions	1	9
Prefer saving with a Bank	1	10
Any other reason (specify)	1	11

(ASK ALL) If you got a bulk sum of money (e.g. won a lottery) what would you first use it for ?

Buy a car/motor cycle/T.V./Video	1	12
Take a Chieftaincy title	1	13
Build a house	1	14
Marry or take more wives	1	15
Any other choice (specify)	1	16

If you were to be given a plot of Land for housing, would you prefer

Urban plot	1	
Rural plot	2	
Any other	3	

Give reason(s) for your choice in the space below — 18

What is your occupation ? — 19

Are you an

Employee	1	20
Self employed	2	
Employer	3	

(IF EMPLOYED, ASK) Are you in the

Public sector	1	21
Private sector	2	

41 What is your salary grade level ? 22

42 How much do you earn in a month ? 23

43 Does any member of your household here in Enugu engage in

a paid full-time job	1	24
a paid part-time job	1	25
employing workers	1	26
any other (specify)	1	27

How many of them ? 28

44 What is the level or category of their income ? (CIRCLE ALL RESPONSES; WHERE THERE ARE MORE THAN ONE PERSON INDICATE THE NUMBER IN THE GIVEN COLUMN)

Grade Level	No. of People		
1 - 4		1	29
5 - 7		1	30
8 - 10		1	31
11 - 13		1	32
14 - 16		1	33
Over 16		1	34

45 Do you have any more information or comment about the questions you have been asked ?

(WRITE ANY ANSWER OR COMMENT IN THE SPACE BELOW) 35

APPENDIX - C

QUESTIONNAIRE USED FOR DAILY SAVER SCHEME SURVEY.

QUESTIONS

1. Why did you join the scheme?

2. How much do save in a day?

3. What do you do with the lump sum, when you get it at the end of the month?

4. How are you sure your money is safe with the Collector?

5. Why not use the commercial banks, where you will get some interest added to your money?

6. If the "Banks" come to you, will you be willing to save with them?

7. How long have you been saving with this scheme?

8. Do you have any savings in a commercial bank?

APPENDIX D

FIELDWORK METHODOLOGY AND ANALYTICAL TECHNIQUE

Introduction

The field work was undertaken between February and July 1987 in Enugu, the capital of Anambra state Nigeria. The first four weeks of the period was used to write letters of permission to the relevant authorities and Ministries for information and permission to interview the officers. This was necessary because at the time of the field work, the Federal Military Government had passed the "Official secrets Decree" which forbade civil servants from giving out official information without the authority of the Permanent secretary. Therefore permission was necessary to avoid any unnecessary impasse with the military administration.

Efforts were also made to buy an up to date map of Enugu, and to obtain a copy of the Enugu housing list. In addition, six research assistants were recruited. They were all able to speak Igbo, passed Geography and English language at G.C.E. "O" and have a first hand knowledge of Enugu.

I. Preliminary Survey

After the necessary permission had been obtained, the fourth week was used for orientation and to conduct a preliminary survey, in which 100 sample questionnaires were tried out. This was necessary in order to give the field assistants first hand experience in conducting interviews. Moreover, the feed back from this exercise helped the group discussion which followed and in shaping the final draft of the questionnaire. In addition, the exercise helped to pin point potential difficulties and possible solutions. For example, it was after the preliminary exercise that we decided to carry out the survey zone by zone, which helped coordination during the actual field work. The preliminary survey also alerted us to the fact that we could be mistaken for officials from the Tax office of the state Ministry of Finance. This was because some questions had sought information on sources of income and savings, and being the first quarter of the financial year, queries regarding income were easily associated with tax assessment. Moreover, we were able to discover that questions on single broad sheets were more difficult to handle during interviews. This helped us to decide to have the questions printed on folding sheets.

II. Field Work

The field work was carried out by the author and his field assistants simultaneously, so that the author was at hand to explain, clarify and show letters of permission whenever the need arises. There were, however, some respondents who preferred to complete the questionnaire forms themselves. These were collected at a later date. Two scheduled questionnaires were used to elicit information from the landlords/owner-occupiers and heads of households (see appendix A and B). Enugu was divided into 13 zones or townships according to the existing demarcation used by the Enugu Municipal Council, Planning Division. The zones are Asata, Ogui, Ogbete (Coal Camp), Emene, Uwani, Awkunanaw, Achara layout, New heaven, Ogui new layout, Independence layout, Abakpa, Government Reservation Area and Trans-Ekulu housing Estate, and Idaw river layout (See Figure 8.1).

III. Method of selecting Samples

During the preliminary survey, it was discovered that not all the listed houses were either occupied or fully completed especially in the new layouts. Some of the listed houses were at different stages of completion, while there were others listed as not completed, which have been completed between the time of the census in 1985 and the period of fieldwork. Moreover, we discovered that there were some houses which were not listed but had been completed within the intervening period. Without out a complete housing list, we were compelled to adopt the equal sampling procedure, since it was not possible for us to conduct a fresh housing census given the time and money available for the project.

IV. Landlords/Owner-occupiers

A sample of 40 landlords/owners-occupiers were systematically chosen from each zone without replacement. In instances where the selected sample was not a completed house, or a vacant plot, the landlord was dropped, but the sequence was maintained until 40 landlords had been drawn from each zone. Each sample point from the list was identified on the ground before the survey was started. This was made possible by the initial decision to sample one zone after another. A total of 477 landlords/owner-occupiers were interviewed.

V. Household Survey

For the household survey, a two-step procedure was adopted. First of all, houses were selected as for the landlord's survey from the list and identified on the ground for each zone. Single family houses were accepted as single sample points. In order to select households from multi-family houses, a dice was used to select a household from the number of households living in the selected house. It must be noted that no single house was selected twice. A total of 494 heads of households were interviewed during the exercise.

VI. Field Observation

This was used at all the stages of the field work. In addition to the questions posed, interviewers were asked to note relevant details during the survey. For example they were asked to note house types and those built through joint financing.

VII. Participatory and non participatory observations.

During the interview, we identified respondents who were members of ethnic unions and of other forms of unconventional institutions discussed in the study. To be able to study the organisation of some of these institutions at first hand, we sought permission and were allowed to sit in as observers during the meetings of particular isusu groups. After the meetings we were allowed to interview the officials and the members. It was during such meetings that the information discussed in Chapter Nine was collected.

VIII. Problems

There were some problems encountered during the survey. Apart from the restrictions of the Official Secrets Act, which prevented civil servants from releasing official information without permission, the civil service "red tape" caused the author some delay in having access to official information and published data. Lateness during interviews or even outright cancellation by the officials caused a major problem. Many landlords were reluctant to give information relating to income and number of houses they have in Enugu. Some who agreed to fill out the questionnaire did not return them on time. The bank managers were particularly elusive in giving interviews or information regarding mortgages from their institutions.

IX. Analytical Methodology

The information collected with the two questionnaires was transformed into workable data set by using a scoring system. The non parametric information was transformed into workable data by assigning appropriate values to them. The values were assigned by taking cognisance of the value of each response. For instance, in a question where the answer could be "yes" or "no", the value of "yes" was coded as 1 and "no" as 2. This does not mean that the response "no" is weighted higher than "yes". The values were then recorded in computer recording sheets in rows according to the questionnaire numbering and columns according to the different responses per question for that respondent, thereby forming a matrix of data. These were keyed into the computer for analysis.

X. Analysis

The Statistical Package for Social Science X (SPSS X) was used in the analysis. The survey information was examined firstly by obtaining the frequencies of all the variables. Secondly, some variables were recoded in order to present them in a more suitable form. For example, income groups were recoded and used in the analysis. Thirdly, some of the variables were cross tabulated in order to make comparisons and to examine relationships. The level of significance for most of the hypotheses tested was put at 5% ($P= 0.05$) and the tests of significance were made for each crosstabulation carried out using the chi-square test. Thus for a given hypothesis to be confirmed, there had to be a statistically significant difference between the tested hypothesis (H_0) and the alternative hypothesis of interest (H_1).

The chi-square tests are considered more appropriate here than any other non-parametric tests because the data collected is in form of frequencies. Chi-square is appropriate to test whether an observed distribution of frequencies in two or more categories is significantly different from the expected distribution. In addition, the chi-square test is suitable for categorical data like that obtained in this study, especially as it indicates the degree of association between two variables measured on a nominal scale. The results obtained are used in the analysis and conclusions as shown in chapters Eight, Nine and Ten.

APPENDIX - E

FEDERAL REPUBLIC OF NIGERIA : HOUSING EXPENDITURE : 1955-85

Period	Plan	Total Budget	Allocation to housing sector	Percentage of total Budget	Target	Actual Number Built	Level of Achievement	Remark(s)
A 1955-62	Pre-independance	£164 million	£1.5 million	0.9%	-	-	-	Mostly spent in the provision of staff accommodation.
B 1962-68	First National Development Plan	₦2.2 billion	₦42 million ₦ 12.74 million To town and country planning actual to housing ₦1.349000.	6.2%	24,000	2,500	10.4%	Housing was classified under town and country planning. Of target units : The following were earmarked :- 60% for low income 30% for middle income 10% for upper income. Only 2/5 or 10,000 was actually built for the low income. Actual amount spent was £19.6 million or 47% of the total allocation.
1969-70	Civil war							The civil war which started in 1967 halted some projects.
C 1970-74/75	Second National Development Plan	₦3.2 billion	₦500 million	16.62%	59,000 Units	-	-	Housing was not included in the national development plan as a sub-sector : All national housing programmes were carried out by Federal Housing Authority [FHA] Lagos : 15,000 - 1/4 or 25.4%. Other States : 44,000 or 0.68% each at 4,000 units per State.
D 1975-80	Third National Development Plan	Firstly ₦30 billion Later ₦ 53.3 billion	1.837 billion 2.25 billion	6.12% 4.7%	60,000 Units 202,000 Units	28,000	46.7% 13.9%	Projected to be mostly for the low and middle income group. Out of the total number completed. Federal Housing Authority Lagos = 8,500 or 19% All other States = 20,000 or 13%. Total expenditure ₦430 million. Budget caught back started in 1978.
E 1981-85	Fourth National Development Plan	₦ 82 billion	2.686.921 billion	3.75%	Projected to add 440,000 Annually	30,000	15%	By 1983 housing construction has been halted. Completed units many still unoccupied. Funds have dried up. Amount Spent - ₦1 billion. Estimated 4,000 units nearing completion

Source : Field Work 1987.

APPENDIX - F

Federal Mortgage Bank Savings by States.
March - May 1980

State	Amount (N).
1. Anambra	982,862
2. Bauchi	91,725
3. Bendel	733,371
4. Benue	141,703
5. Borno	78,318
6. Cross River	209,443
7. Gongola	6,520
8. Imo	394,717
9. Kaduna	446,527
10. Kano	332,364
11. Kwara	93,948
12. Lagos	14,946,329
13. Niger	49,663
14. Ogun	97,679
15. Ondo	126,188
16. Oyo	638,935
17. Plateau	177,335
18. Rivers	568,124
19. Sokoto	46,565
Total	20,180,316

Source: Federal Mortgage Bank, Lagos.
Field work 1987

APPENDIX - G

STATE HOUSE CORPORATIONS IN NIGERIA : 1987.

(1) Anambra State Housing Corporation

(2) Bauchi State Housing Corporation

(3) Bendel State Housing Corporation

(4) Benue State Housing Corporation

(5) Borno State Housing Corporation

(6) Cross River State Housing Corporation

(7) Gongola State Housing Corporation

(8) Imo State Housing Corporation

(9) Kaduna State Housing Authority

(10) Kano State Housing Authority

(11) Kwara State Housing Authority

(12) Lagos State Dev. & Property Corporation

(13) Niger State Housing Authority

(14) Ogun State Housing Corporation

(15) Ondo State Housing Corporation

(16) Oyo State Housing Corporation

(17) Plateau State Housing Corporation

(18) Rivers State Housing Corporation

(19) Sokoto State Housing Corporation

APPENDIX – H

HOUSING CORPORATION	Loan Application	Amount Approved By the Board For Disbursement	Actual Disbursement
	₦	₦	₦
1. Anambra State Housing Corporation	5,200,000	2,700,000	2,700,000
2. Bauchi State Housing Corporation	4,000,000	–	–
3. Bendel State Housing Corporation.	5,200,000	–	–
4. Benue State Housing Corporation	11,000,000	–	–
5. Borno State Housing Corporation.	11,120,000	–	–
6. Cross River State Corp.	9,500,000	–	–
7. Gongola State Housing Corp.	3,000,000	2,000,000	2,000,000
8. Imo State Housing Copnration	2,700,000	2,500,000	2,200,000
9. Kaduna State Housing Corp; N. N. P. C. (P)	4,000,000 4,600,000	3,000,000)	2,934,000
10. Kano State Housing Corporation	4200,000	–	–
11. Kwara State Housing Corp.	–	–	–
12. Lagos State Dev. & Property Corp	4,700,000	1,500,000	1,300,000
13. Niger State Housing Corporation	–	–	–
14. Ogun State Housing Corporation	4,000,000	1,500,000	1,500,000
15. Ondo State Housing Corporation	10,000,000	–	–
16. Oyo State Housing Corporation	21,000,000	–	–
17. Plateau State Housing Corp.	1,400,000	–	–
18. Rivers State Housing Corporation	5,400,000	–	–
19. Sokoto State Housing Corp.	7,089,852	–	–
TOTAL	117,709,852	13,200,000	12,634,000

APPENDIX I (i)

LOANS AND ADVANCES BETWEEN JULY AND DECEMBER, 1977.

(ACCORDING TO AREA OFFICES)

S/No.	Area Offices	APPROVALS		Total	ADVANCES		Total
		Retail ₦	Wholesale ₦	₦	Retail ₦	Wholesale ₦	₦
1	Bauchi	1,678,410	–	1,678,410	1,800,309.50	–	1,800,309.50
2	Enugu	917,050	1,950,000	2,867,050	2,067,745.13	1,000,000	3,067,745.03
3	Ibadan	2,144,100	–	2,144,100	2,689,733.51	–	2,689,733.51
4	Ikeja	2,631,050	–	2,631,050	5,217,042.40	–	5,217,042.40
5	Kaduna	4,307,250	1,934,500	6,241,750	4,273,819.80	1,000,000	5,273,819.80
6	Minna	332,800	–	332,800	258,400.00	–	258,400.00
7	P/Harcourt	1,346,400	2,700,000	4,046,400	1,495,852.18	–	1,495,852.18
	Grand Total	13,357,060	6,584,500	19,941,560	17,802,902.52	2,000,000	19,802,902.52

LOANS AND ADVANCES BETWEEN JANUARY AND DECEMBER, 1978.

(ACCORDING TO AREA OFFICES)

S/No.	Area Offices	APPROVALS		Total	ADVANCES		Total
		Retail ₦	Wholesale ₦	₦	Retail ₦	Wholesale ₦	₦
1	Bauchi	3,997,300	–	3,997,300	2,092,956	–	2,092,956
2	Enugu	9,043,157	–	9,043,157	2,360,632	–	2,360,632
3	Ibadan	4,828,280	–	4,828,280	2,966,419	–	2,966,419
4	Ikeja	19,597,018	–	19,597,018	6,497,886	–	6,497,886
5	Kaduna	10,649,760	–	10,649,760	3,485,698	20,000	3,505,698
6	Minna	1,594,150	–	1,594,150	438,500	–	438,500
7	P/Harcourt	7,306,066	–	7,306,066	1,332,440	1,000,000	2,332,440
	Grand Total	57,015,731	–	57,015,731	19,174,531	1,020,000	20,194,531

LOANS AND ADVANCES BETWEEN JANUARY AND DECEMBER, 1979.

(ACCORDING TO AREA OFFICES)

S/No.	Area Offices	APPROVALS		Total	ADVANCES		Total
		Retail ₦	Wholesale ₦	₦	Retail ₦	Wholesale ₦	₦
1	Bauchi	2,981,050	–	2,981,050	3,422,190	–	3,422,190
2	Enugu	2,955,940	750,000	3,705,940	6,315,586	1,700,000	8,015,586
3	Ibadan	3,125,650	1,500,000	4,625,650	6,414,074	–	6,414,074
4	Ikeja	8,426,375	–	8,426,375	12,643,193	–	12,643,193
5	Kaduna	1,096,300	2,000,000	3,096,300	6,382,678	500,000	6,882,678
6	Minna	724,500	–	724,500	1,534,987	–	1,534,987
7	P/Harcourt	2,646,613	–	2,646,613	3,963,276	1,200,000	5,163,276
	Grand Total	21,956,428	4,250,00	26,206,428	40,675,984	3,400,000	44,075,984

APPENDIX I (ii)

LOANS AND ADVANCES BETWEEN JANUARY AND DECEMBER, 1980.

(ACCORDING TO AREA OFFICES)

S/No.	Area Offices	APPROVALS		Total ₦	ADVANCES		Total ₦
		Retail ₦	Wholesale ₦		Retail ₦	Wholesale ₦	
1	Bauchi	8,367,699	6,726,200	15,093,899	6,628,829	2,000,000	8,628,829
2	Enugu	12,765,397	–	12,765,397	8,071,290	–	8,071,290
3	Ibadan	7,614,831	6,169,651	13,784,482	7,542,209	4,087,480	11,629,689
4	Ikeja	15,123,343	2,300,000	17,423,343	13,598,883	1,300,000	14,898,883
5	Kaduna	13,310,545	–	13,310,545	7,561,114	2,414,500	9,975,614
6	Minna	6,482,932	2,500,000	8,982,932	4,226,529	–	4,226,529
7	P/Harcourt	9,148,518	2,473,000	11,621,518	5,682,489	800,000	6,482,489
	Grand Total	72,813,265	20,168,851	92,982,116	53,311,343	10,601,980	63,913,323

LOANS AND ADVANCES BETWEEN JANUARY AND DECEMBER, 1981.

(ACCORDING TO AREA OFFICES)

S/No.	Area Offices	APPROVALS		Total ₦	ADVANCES		Total ₦
		Retail ₦	Wholesale ₦		Retail ₦	Wholesale ₦	
1	Bauchi	30,680,795	422,000	31,102,795	14,675,459	250,000	14,925,459
2	Enugu	11,158,491	65,000	11,223,491	9,074,284	–	9,074,284
3	Ibadan	23,713,526	1,500,000	25,213,526	11,619,944	2,500,000	14,119,944
4	Ikeja	16,711,945	–	16,711,945	13,640,948	–	13,640,948
5	Ibadan	13,586,630	4,000,000	17,586,630	8,068,169	1,500,000	9,568,169
6	Minna	12,522,807	2,500,000	15,022,807	5,683,214	2,500,000	8,183,214
7	P/Harcourt	6,219,210	2,000,000	8,219,210	4,622,466	1,173,000	5,795,466
	Grand Total	114,593,404	10,487,000	125,080,404	67,384,484	7,923,000	75,307,484

LOANS AND ADVANCES BETWEEN JANUARY AND DECEMBER, 1982.

(ACCORDING TO AREA OFFICES)

S/No.	Area Offices	APPROVALS		Total ₦	ADVANCES		Total ₦
		Retail ₦	Wholesale ₦		Retail ₦	Wholesale ₦	
1	Bauchi	10,978,880	2,000,000	12,978,880	8,317,163	86,000	8,403,163
2	Enugu	9,945,300	–	9,945,300	7,478,770	–	7,478,770
3	Ibadan	8,104,491	1,200,000	9,304,491	5,340,269	982,171	6,322,440
4	Ikeja	5,057,238	125,000	5,182,238	8,698,841	100,000	8,798,841
5	Ibadan	4,203,000	2,000,000	6,203,000	5,177,952	–	5,177,952
6	Minna	9,619,055	–	9,619,055	4,045,099	–	4,045,099
7	P/Harcourt	12,107,010	–	12,107,010	10,454,831	300,000	10,754,831
	Grand Total	60,014,974	5,325,000	65,339,974	49,512,925	1,468,171	50,981,096

APPENDIX I (iii)

LOANS AND ADVANCES BETWEEN JANUARY AND DECEMBER, 1983.

(ACCORDING TO AREA OFFICES)

S/No.	Area Offices	APPROVALS		Total ₦	ADVANCES		Total ₦
		Retail ₦	Wholesale ₦		Retail ₦	Wholesale ₦	
1	Bauchi	7,286,220	250,000	7,536,220	8,277,182	336,000	8,613,182
2	Enugu	12,593,879	185,000	12,778,879	7,870,051	185,000	8,055,051
3	Ibadan	9,649,902	755,000	10,404,902	6,757,041	270,340	7,027,381
4	Ikeja	12,772,278	1,200,000	13,972,278	8,074,007	691,667	8,765,674
5	Ibadan	11,966,460	1,500,000	13,466,460	5,941,728	5,200,000	11,141,728
6	Minna	3,898,281	–	3,898,281	4,041,746	–	4,041,746
7	P/Harcourt	23,892,824	1,650,000	25,542,824	9,327,823	1,130,000	10,457,823
	Grand Total	82,059,844	5,540,000	87,599,844	50,289,578	7,813,007	58,102,585

LOANS AND ADVANCES BETWEEN JANUARY AND DECEMBER, 1984.

(ACCORDING TO AREA OFFICES)

S/No.	Area Offices	APPROVALS		Total ₦	ADVANCES		Total ₦
		Retail ₦	Wholesale ₦		Retail ₦	Wholesale ₦	
1	Bauchi	617,020	–	617,020	733,570	–	733,570
2	Enugu	–	–	–	2,434,347	–	2,434,347
3	Ibadan	180,870	–	180,870	1,424,750	84,660	1,509,410
4	Ikeja	2,472,396	–	2,472,396	3,766,098	920,000	4,686,098
5	Kaduna	85,500	–	85,500	817,900	150,000	967,900
6	Minna	–	–	–	561,500	–	561,500
7	P/Harcourt	4,523,973	–	4,523,973	1,491,804	270,000	1,761,804
	Grand Total	7,879,759	–	7,879,759	11,229,969	1,424,660	12,654,629

APPENDIX - J

Federal Mortgage Bank Loans and Adances
(July 1977- December 1984).

Periods	Approvals			Advances		
	Retail	Wholesale	Total	Retail	Wholesale	Total
July-Dec 1977	13,357,060	6,584,500	19,941,560	17,802,903	2,000,000	19,802,903
Jan-Dec 1978	57,015,731	-	57,015,731	19,174,531	1,020,000	20,194,531
Jan-Dec 1979	21,956,428	4,250,000	26,206,428	40,675,984	3,400,000	44,075,984
Jan-Dec 1980	72,813,265	20,168,851	92,982,116	53,311,343	10,601,980	63,913,323
Jan-Dec 1981	114,593,404	10,487,000	125,080,404	67,384,484	7,923,000	75,307,484
Jan-Dec 1982	60,014,974	5,325,000	65,339,974	49,512,925	1,468,171	50,981,096
Jan-Dec 1983	82,059,844	5,540,000	87,599,844	50,289,578	7,813,007	58,102,585
Jan-Dec 1984	7,879,759	-	7,879,759	11,229,969	1,424,660	12,654,629
Grand total				309,381,717	35,650,181	345,032,535

Source: Federal Mortgage Bank, Lagos
Field Work 1987

APPENDIX - K

Summary and % of retail and wholesale to total lending portfolio for each year

Year	Retail N	Wholesale N	Total	% Retail to total lending	% Wholesale to total lending
1977	17,802,903	2,000,000	19,802,903	89.9	10.1
1978	19,174,531	1,020,000	20,194,531	94.9	5.1
1979	40,675,984	3,400,000	44,075,984	92.3	7.7
1980	53,311,343	10,601,980	63,913,323	83.4	16.6
1981	67,384,484	7,923,000	75,307,484	89.5	10.5
1982	49,512,925	1,468,171	50,981,096	97.1	2.9
1983	50,289,578	7,813,007	58,102,585	86.6	13.4
1984	11,229,969	1,424,660	12,654,629	88.7	11.3
Grand Total	309,381,717	35,650,818	345,032,535	89.7	10.3

Source : Federal Mortgage Bank, Lagos
Field Work 1987.

APPENDIX L

Housing finance by its nature is provided mostly on national basis, and rarely across national boundaries except by international organisations in the form of aid. However, there have been attempts by international bodies to co-ordinate the efforts of individual institutions in different countries. The International Union of Building Societies and Savings Association has been in the vanguard in co-ordinating the efforts of existing societies and encouraging the establishment and growth of others. Others include the Caribbean Association of Building Societies and Housing Finance Institutions; the Inter-American Housing Union and the Inter-American Housing Bank, African Union of Building Societies and Housing Finance Institutions, and Shelter Afrique. A brief description of these institutions is provided below to show the way they have made attempts in co-ordinating the activities of separate national institutions.

1. The Caribbean Association of Building Societies and Housing Finance Institutions.

This association is made up of 18 member institutions which represents 8 countries. It was formed purposely to promote the principles of savings and home ownership and to assist the development of building societies and housing finance institutions. It assists member organisations through advice, consultations, and recommendations in improving housing standards, and in addition it makes recommendations to member institutions with respect to raising the technical and financial standards. To meet these objectives, it co-operates with respective governments in the Caribbean and any international organisations involved in promoting housing finance. Membership has grown from 13 to 42 institutions from all over the caribbean with the United Kingdom Building Societies Association and International Development and Regional Housing and Urban Development Office and the Challenge Bank of Western Australia as associate members.

The association has as one of its activities the investigation of the feasibility of a regional secondary mortgage market facility. A secondary mortgage market is seen as a mechanism which could make a significant impact on the flow of housing credit. This realization is, however, deterred by the lack of a unified currency and the existence of variations in laws and business practices. Nevertheless, there is the general consensus that there is the need for training of special manpower to meet members need. The short supply of adequate technical and managerial skills had been identified as affecting the pace of economic development in many Caribbean economies. Therefore, the Association collaborates with the Institute of Financial Education in Chicago to help train the required manpower in housing finance.

2. Inter-American Savings and Loan Union.

Union Inter-americana de Ahoro y Prestamo Pasa la Vivienda or Inter-American Savings and Loans Union was established in 1964, at the second Inter-American Savings and Loans conference held in Santiago, Chile. This meeting which was sponsored by the Inter-American Development Bank, the Agency for International Development and the National League of Insured Savings and Loans Association followed an earlier meeting held in Peru in 1963.

The aim of the meeting was to promote savings and home ownership and to encourage co-operation between savings and Loans institutions in Latin America. By 1982, the membership had increased to 236 made up of 15 central organisations, 2 federal banks and 2 international organisations (Boleat, 1985). The Union which is based in Santiago, Chile has a permanent Secretariat headed by a secretary general and provides member institutions with a wide range of published information and statistics in English, Spanish, and Portuguese. There is also technical assistance and collaboration available to members in the training of staff. It organizes annual conferences where members meet to exchange ideas and present papers on research and work going on in different parts of Latin America.

3. The Inter-American Savings and Loans Bank.

The Banco Inter-Americano de Ahorryo y Prestano- (B.I.A.P.E.) is a multi-national housing loans bank and the first of its kind in the world. Its main objective is to contribute to the development of the savings and loans system in Latin America by strengthening the existing savings unions and establishing new ones where none exist (Boleat, 1985). It drew its inspiration from the Inter- American Savings and Loans Union. Founded in 1975 in Caracas, Venezuela, it runs a bank account in the Cayman Islands. It is a bank jointly owned by 19 nations with about 12 Central Housing Finance Organisations as shareholders, 130 individual finance institutions, 10 associations and 5 specialised housing finance institutions (Carlson, 1988).

Other shareholders include the Inter-American Union, International Union of Building Societies and Savings Associations, 2 American Savings and Loans Trade Associations and the Spanish Confederation of Saving Banks. After a period of decline in 1983 with a loss of US$2 million the total capital and reserves of the Bank was put at US$36 million. The source of funds for the bank includes loans from international organisations, banking organisations and some that accrue from selling its own securities in the capital market. By 1983, it has given out loans totalling US$30 million with a standing asset of US $42 million. (Boleat, 1985).

4. African Union of Building Societies and Housing Finance Institutions.

The African Union of Building Societies and Housing Finance Institutions was created as a result of the meeting in June 1983 between executives of building societies in eight countries namely Botswana, Ivory Coast, Kenya, Liberia, Malawi, Malawi, Swaziland, and Zambia. By December 1984, membership of the Union was extended when other institutions from Egypt, Sierra Leone, Ghana, Lesotho and Zimbabwe further applied to join the organisation, during its formal inauguration (Boleat, 1987c).

Subsequently the African Union helped in the organisation of a conference on housing and urban development in sub-Saharan Africa. The Union had to undertake and organise training courses to provide qualified staff to its members. Presently its affairs are administered by a secretary general at its regional office in Nairobi, Kenya. There is still more to be done by the organisation, for instance in making African governments aware of the importance of the internal generation of funds for housing rather than depending on external borrowing and in the development of other inputs into housing like building materials.